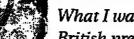


Macedonia

The case for recognition

Survey and investment



British presidency

Sir Leon Brittan

Special report

What I want from the Europe: the state of the union

Pages 9-12



ELENANCIAL TIMES

Wednesday July 1 1992

EUROPE'S BUSINESS NEWSPAPER

Fiat completes withdrawal from telecoms sector

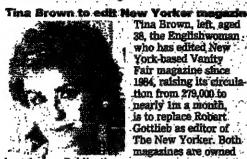
Fiat, Italy's largest industrial company, has com-pleted its retreat from telecommunications with the sale of its semaining activities to a Luxembourg based company made up of a group of French banks.

Alcatel Alsthom, the French Industrial group which bought most of Fiat's telecoms activities in 1990, will have a four-year option to buy the stake from the banks. Page 19.

Presidential polk Bill Clinton, likely Democrat nominee for the presidency, has topped the latest Washington Post-ABC News for the first time. George Bush is in third place behind undeclared candidate Ross Perot. Page 18

Kimberly-Clark, US consumer products company best-known for making Kleenex tissues. is forming a joint consumer group in Europe with VP-Schickedanz of Germany. Page 19

French disruption: France was hit by strikes: and demonstrations as farmers, dockers, airline pilots and truck drivers stepped up campaigns of industrial unrest. Page 3



York-based Vanity Fair magazine since 1984, raising its circulation from 279,000 to nearly im a month, is to replace Robert Gottlieb as editor of The New Yorker. Both magazines are owned

by Advance Publications group.
Observer, Page 17

Addition, leading sporting goods group, was left unce ar about its future last night as management wated for a response to its DM1hn (\$656m) buy-out vid for the company. Page 20

Foreigners pull out: A sharp drop in Spanish employment and speculation about an early general election led to beavy selling by foreign investors on the Madrid stock exchange. Page 3

raide talks snagged: Hopes of settling the Uruguay Round of talks on world trade liberalise tion before the US elections in November supeared to fade as European Commission officials said they could not present a compromise to the US

Anxiety in US: American consumer confidence stalled in June, adding to fears that the recovery's momentum is flagging; a New York business analysis group reported. Page 4; Dow sticks in narrow range, Page 44

ICI and Calgene, a Californian company, each claim the other has infringed its patents for geneti-cal wimproved tomatoes. Page 18

Debt plan in prospects The Paris Club of western creditor governments is likely to accept a rescheduling of the former Soviet republics \$55bn foreign debt before a full programme of economic reforms is agreed between Russia and the International Monetary Fund, US treasury Secretary Nicholas Brady said. Page 18

KLM. Dutch national airline, is about to be the first European carrier to operate within the US in a deal which could open the way for US airlines to operate between European cities. Page 5

Gloom on UK output: Senior economists have given the UK Treasury a sombre assessment of how weak world growth and high UK interest. rates are causing manufacturing output to flag.

Rabio stance welcomed: US secretary of state James Baker supported a call by Israeli prime minister elect Yitzhak Rabin for Israel and the Arab states to start continuous negotiations on Middle East peace. Page 6

Softer jobs market: Japan's labour market showed signs of slackening in May in response to the steep slowdown of the Japanese economy, atthough the employment rate remained high, according to government statistics. Page 6

South Korea's government took fresh action to curb the power of industrial conglomerates by freezing cross-payment loan guarantees among

the 30 biggest business groups: Page 6 Greenpeace protest: Greenpeace activists in Glasgow chained themselves to the harpoon gun of a Norwegian whaling boat in protest at

Nurway's decision to resume commercial whaling. Whaling boat trapped, Page 28

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FINANCIAL TIMES & FT No 31,798 Week No 27 P

UK presidency to set stage for enlarged EC

By Philip Stephens and Robert Mauthner in London

THE BRITISH government marked the start of its European Community presidency today with a confident prediction that the next six months will set the stage for the EC's rapid enlargement from 12 to at least 15

In an interview with the Financial Times, Mr Douglas Hurd, the

the Maastricht treaty.

Delivering a broad hint to
Euro-sceptics in the rolling Conservative party that the British government is willing to make ratification a fundamental issue of confidence. Mr Hurd said: What the prime minister has done has been to make it clear that this is not a peripheral mat-

UK foreign secretary, underlined ter. It is an essential part of gov- predecessor that the Single Eurothe government's determination ernment policy". His comments to push through ratification of came as loyal Conservative MPs renewed their attacks on the newly ennobled Baroness Thatcher of Kesteven (former prime minister Mrs Margaret Thatcher, now a member of the House of Lords). During another orchestrated performance in the House of Commons, Mr John Major, the prime minister, joined

pean Act which she had signed in 1985 was responsible for much of the "centralisation" in the EC.

Cabinet ministers said the government was determined to discredit the stand taken by Lady Thatcher, who intends to renew her onslaught on Maastricht in her maiden speech to the House of Lords.

Mr Major, who said the Maastricht accord looked forward to "decentralisation", will be joined today by cabinet colleagues for joint talks on the presidency with Mr Jacques Delors and the European Commission.

The foreign secretary, who will chair the EC council of ministers in the run-up to the Edinburgh summit in December, says critics of Maastricht have not appreci-ated the extent to which the "flow of ideas" in the Community

over enlargement was central to the trend. Despite wrangling at Lisbon, he said that from three to five of the European Free Trade Association countries should be members by 1995. Austria, Swit zerland, Sweden, Finland and possibly. Norway, are candidates.

He said the change of mood

Europe: the state of the union, The Danish dilemma, Page 17

Coalition partners call for cheaper aircraft

Germany fails to give go-ahead for Eurofighter

By Questin Peel in Bonn and Paul Betts in London

GERMANY'S ruling coalition partners yesterday refused to give the green light for produc-tion of the European Fighter Aircraft developed with Britain, Italy and Spain, but stopped short of pulling out of the pro-

ad they called for a slimline fighter to be ioped on the same basis and the same partners, to be the Buro-lighter 2000. They sted that other European ers — mesning France be brought back into the

compromise was seized on oth proponents and oppoof the EFA as a victory. in, Italy and Spain will now have to decide if they are ready to negotiate with Germany on a cheaper and lighter aircraft, still

modelled on the EFA. Mr Volker Rühe, the German efence minister, claimed the decision meant the end of the "Jager-90", as the EFA is called in Germany, but admitted that the new aircraft would be devel-

oped on the same basis. Members of the Christian Social Union, the Bavarian-based coalition partner which has fought furiously to save the project, said the decision meant little more than "a change of labels". The fighter programme would continue "at a lower level", one official said.

The UK, which like Germany has a 33 per cent stake in the programme, indicated it was prepared to discuss the future of EFA with Germany and the other two partners. One UK official insisted that "no one wants Germany to leave the programme". UK officials also said they were

encouraged that Germany had decided to stay in the develop-ment stage of the programme.

British Aerospace, however, said it continued to believe "as every consortium study has shown that EFA remains the most cost effective means of meeting the common operational requirements of the four air forces". It also did not believe a lighter version of EFA would fill air force requirements and that other options would be more expensive than the original pro-

One possibility mooted last night was for Germany to acquire the EFA airframe but equip the aircraft with its own avionics and radar systems to reduce its overall cost.

Mr John Major, the British prime minister, also stressed in the House of Commons that the UK still considered EFA to be the best solution for the four coun-

BAe claimed last night that RFA could still be completed by the three other partners within the prescribed costs of about £20bn (\$37bn) for the four-nation programme without Germany.

Mr Malcolm Rifkind, the British defence secretary, suggested the cost implications of a German withdrawal could be minimised by rationalising production

The decision was also greeted with some relief by Deutsche Aerospace, the aerospace arm of Daimler-Benz subsidiary.

"It is positive that they say the co-operation should be continued, and that a new fighter aircraft is needed by the Luftwaffe around the year 2000", the company said. We will now have to consider the decision in detail, and investigate how the failure to go

The compromise resolution agreed by the joint parliamentary group of the Christian Democrats and CSU said the "Jäger-90 in its present form is too expensive. The total system price quoted for

the year 2000 must be substantially reduced". After declaring that a new fighter is "absolutely necessary" for the Luftwaffe "around the year 2000", the decision states that "the European co-operation of the four EFA partners should be continued and if possible extended to bring in further part-

It concludes that "in the frame work of this co-operation, the results of the technical development programme so far, and the funds available for future development, should be used to develop a modern European fighter aircraft adapted to the future risks and reduced in line

with the tactical requirements". Casa, the Spanish partner in the programme, said it remained committed to EFA. "It is not true that Spain would leave the consortium if Germany withdraws," said Mr Jose Alvarez Vara. Casa's chairman.

However, a Spanish govern-ment official said any decision on an eventual increase in Spain's 13 per cent participation in the programme would be delayed while the government reviewed

its budgetary priorities.

Italy, with a 21 per cent stake in EFA, gave no immediate reaction but has so far supported the original project because its air force needs the new aircraft and because of the industrial spin-offs of European collaboration in

Additional reporting by

A nurse takes a rest at Sarajevo airport during the unloading of French aircraft which brought relief supplies

US sends ships to back aid effort for Bosnia

By Laura Silber in Belgrade and Robert Mauthner in London

THE US is ready to provide military protection for an international airlift that has begun to take food and medical supplies

into the besieged Bosnian capital of Sarajevo. Defence officials in Washington said yesterday the US Navy had sent six ships into the Adriatic so that it could give naval and air cover once the United Nations asked it to do so. But the US did not intend to send in ground

troops, they added. The moves to step up US involvement in the Yuguslay conflict came as more French air force aircraft yesterday flew in

emergencies supplies to Sarajevo. The aid has begun flowing in after UN peacekeeping forces on Monday took over control of Saraievo airport from Serb irregular forces. Speradic firing in the city centre and a suburb close to the airport underlined how easily the relief operation could be dis-

Some 26 tonnes of food and medicines were due to be distributed by representatives of the UN High Commissioner for Refugees to a starving and ailing population of 300,000, cut off for three months by the fighting between

After the arrival of a single French aircraft carrying emer-

> Continued on Page 18 Serbs put controls on wages and prices, Page 2

Algeria calm as authorities meet to select new leader

ahead with production prepara-

By William Dawkins in Algiers

ALGERIA'S ruling authorities were in crisis talks yesterday in an attempt to select a new leader to succeed Mr Mohamed Boudiaf, the head of state who was assassinated on Monday.
As the ruling High State Coun-

cil met in permanent session, state-run television continued its news blackout with non-stop broadcasts of Koranic verses. According to a government offi-

cial, a decision on a new leader could come in the next few days. General Khaled Nezzar, the defence minister and most influential figure on the council, is an bvious candidate to succeed Mr Boudial as head of state. However, the council might choose a civilian to deflect criticism of the military grip on the country.

Meanwhile, the search for Mr Boudial's killers widened beyond the Islamic fundamentalists who were initially suspected.

Maastricht special ___9-12

Salvation Front (FIS) is seen as having had strong motives to retaliate against the government for its decision in March to ban the movement, and for imprisoning thousands of its members in

The authorities have also put seven of the movement's senior members on trial for alleged crimes against the safety of the

But several other influential groups held grievances against Mr. Boudiaf, who made many enemies after being asked in January to replace former president Chadli Bendjedid, who resigned after the authorities cancelled Algeria's first multi-party elections because the FIS was set to

Mr Boudiaf's campaign against

corruption won enemies all

round, especially from supporters

of General Mostefa Beloucif, once

Mr Chadli's closest adviser, who

charges of embezzling state funds.

Some senior army figures are said to have feared that Mr Boudiaf's wish to hold a presidential election before the end of the year was a dangerously fast return to democracy so soon after the disaster of the last poll.

The population of Algiers reacted calmly to the attack on Mr Boudiaf, during which about 40 other people are believed to have been injured, and the forces of order kept a discreet presence on the streets.

After initial confused reports, it was confirmed that one of the attackers was shot dead by Mr Boudiaf's bodyguards immediately following the assassination. Security forces were yesterday questioning another suspect.

Mr Boudiaf is expected to be buried today alongside other national figures in Ain Nadja cemetery, just outside Algiers.

CONTENTS Intl. Cap Mids. Managed Funds ... Share Information 34,35.44

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Mornor of the form barriery forces, April 1

Brussels lets UK off hook on court cases

notably the UK's alleged fail-

ure to carry out environment

impact assessments before allowing through road and con-

struction projects. These have not yet reached the Court. "We wouldn't like to see the

Court sentencing the UK at the very moment the Commission is meeting the British government in London," an EC official explained. The Commission and the British

sion and the British government kick off the UK

presidency at a special meeting

today.

The Court invariably grants

the request of either of the liti-gants if they request postpone-ment, provided the other

A political deal

bathing water,

say officials

ens a heavy workload.

have cut a political deal to

smooth Maastricht's ratifica-

tion, probably following last week's meeting between Mr Delors and Mr John Major, the

The bathing water case was

rescheduled once before, prior

to April's general election in

British prime minister.

See supplement -

No matter how uncertain the future may be, Zurich Inter-

national can help you face it with confidence. Successfully

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has been cut over

By David Gardner

THE UK presidency of the European Community, which starts today, is likely to be ment following the Commission's decision to postponepending European Court cases for alleged British environmen-

Mr Jacques Delors, the Commission president, will, more-over, be handling the environment portfolio personally, following the departure of Mr. Carlo Ripa di Meana, the environment commissioner, to join

the new Italian government.

Mr Ripa di Meana was perhaps the sharpest Commission thorn in the UK's side, leading to the celebrated remarks of Mr Douglas Hurd, the foreign secretary, before last Decem-ber's Maastricht summit that Brussels was seeking to "exert its influence in every nook and cranny of daily life".

agrees. This usually signals an out-of-court solution and light-Officials in Brussels and Luxembourg made clear yes-terday that the Commission In the bathing water case, however, legal sources. Com-mission and UK officials con-cur that Brussels and London was anxious to help the UK presidency, which has the uphill task of steering through ratification of the Maastricht treaty after Danish voters

rejected it on June 2. At the Commission's request, the European Court of Justice in Luxembourg has postponed hearings, scheduled for today, on the UK's alleged failure to comply with an EC directive on bathing water purity. Brussels is also likely to hold off on other cases which Mr Ripa di

everyday business.

insurance groups.

Serbs put controls on wages and prices

By Laura Silber in Belgrade

THE Serbian government yesterday announced wage and price controls, blaming international sanctions for the deterioration of the economy.

At the same time, Tanjug, the Belgrade-based news agency, reported that the Yugoslav federal government would devalue the dinar by 85 per cent from today.

The currency has pluming over the past year as the already weak Serbian economy has been hit by the cost of waging war with Croatia and Bosnia and the severance of trade ties with the former Yugoslav nelghbouring repub-

Mr Radoman Bozovic, Serbla's prime minister, said the sanctions were unjust and "causing enormous social and material damage". Industrial production would drop by an extra 40 per cent in the next quarter as a direct result, he claimed. It fell by 30 per cent in the first three months, the same period in 1991. He added that 100,000 workers had already been sent on compulsory vacation.

The Serbian economy was already in decline before the UN sanctions were imposed last month, cutting off all eco-nomic ties including an oil embarge. Monthly inflation last month hit 102.3 per cent, according to official figures released yesterday. Mr Bozovic said wages had to be curbed and prices strictly controlled. The prices of basic goods, including medicine, flour and sugar, would be frozen.



Land army: Russian soldiers working on a farm near Moscow in exchange for food because the defence ministry can no longer afford to feed them

stabilisation fund

UKRAINE is seeking a \$1.52hm (£820m) stabilisation fund from the west to support its currency, the hryvnia, after it has quit the Russian rouble zone, Mr Vadim Hetman, chairman of the Ukraine National Bank, said in London yesterday.

Mr Hetman said Ukraine plans to leave the rouble zone, which maintains parity between Russian and Ukrainian currencies, by October 1.

is taking

the risk out

of yours.

It will then allow its interim "coupon" currency, at present used domestically, to float in value. Technical preparations for introducing the hryvnia should be completed by next January. But it is unclear whether Ukraine will introduce the hryvnia and new hryvnia bank notes then. Mr Hetman said Ukraine had

not yet decided whether to peg the hryvnia to a specific currency, though the Ecu and a basket of western currencies

Ukraine seeks \$1.52bn All roubles are free, but some freer than others

Leyla Boulton on a very Russian convertibility

ODAY was the magic date set by the Russian government to begin a decisive march towards a convertible rouble and achieve a central goal of its ambitious market reforms. However, as is often the case in Russia, the facts on the day look some-Internal convertibility, one

of the most seductive yet elu-aive goals of the reforms, was supposed to begin with the introduction on July 1 of a single, free-floating exchange rate for all current transactions. This was to be followed a month later by attempts to defend the rouble at a fixed exchange rate – with the sup-port of a \$6bn rouble stabilisation fund provided by the west. The latter part of the timetable has since been recognised as over-ambitious and will only happen some time next year.

sian authorities were locked in last-minute arguments, among national Monetary Fund, over whether to let the market despite an announcement by the foreign economic affairs ministry only last week that a market rate would be

Mr Igor Knaziev, head of the Russian Central Bank's exchange rate department, said yesterday he had received orders to post not a market rate - which was Rbs144 to the dollar on the Moscow interbank currency exchange yesaverage for last month's trades



would not generate a "correct" ete, will mean that one exchange rate w the IMF.

measures as the government attempts to push through reforms which will attract both foreign support and appease domestic critics at home. It would also mean that the

main changes to come into effect today would be ancillary sures, on taxation - which were supposed to go hand in These include an obligation for all exporters (and not just exporters of key raw materials) to sell half their foreign

reform was to encourage enter-prises to sell their foreign exchange at a market rate - rather than at a less favour able controlled rate.

agr

The other changes will be a re-introduction of an import tax of 5 per cent for all goods except medicine and food which will remain tax free, and luxury goods such as cars which will be taxed at 10 per cent. State organisations will have to receive additional subsidles to enable them to continue to buy imports after the specially subsidised exchange rates for imports disappear.

Mr Knaziev said he was not sure whether the controlled rate would be maintained beyond today but he thought it likely that it would be kept for the foreseeable future.

Furthermore, the govern-ment has not yet spelled out at what rate foreign investors will be able to convert rouble prof-its into hard currency, although they are likely to conexchange.

The row over convertibility also illustrates the difficulties for the IMF as it tries to hammer out concrete assistance for Russis. A visiting IMF team, which is trying to finalise an loan to Moscow, was vesterday attempting to persuade the Russian authorities to stick to their original idea of floating the rouble so that market forces would come to play. One possible outcome was that nothing would change today to to sort out a final decision

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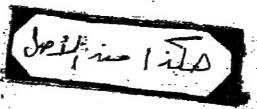
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GLOBAL SECURITY



Brussels investment directive receives a cautious welcome

But the whole point of the

By Sara Webb and Tracy Corrigan in London and

EUROPEAN banks and brokers gave a cautious welcome to the vices Directive (ISD) agreed by European Community finance ers on Monday.

The agreement gives invest-ment firms a "single passport" to deal in shares throughout the Europe covers three key issues - of transparency, concentration ing only minor details to be resolved in the next few weeks,

from the City of London, where

much of the European equities business is currently con-

the distribution of information about prices and volumes of stumbling block in the negotia

The UK had wanted the directive to allow some delay before price and volume details fear that rapid disclosure would put City marketmakers at a disadvantage, whereas countries wanted the informa-tion to be released more quickly. Many UK houses are pressing for more details con-

cerning the exclusion clauses

agreed in the directive, which would allow them to delay the reporting of large transactions or deals in illiquid stocks. Individual exchanges will be free to define what constitutes

a large or illiquid trade. For French brokers, the new directive represents a less restrictive system, since reporting requirements are already very stringent. The Bourse's screen-based system reports price and volume infor Commerzbank, one of Ger did not expect the new direc-

tive to have much effect on the country's larger financial institutions which were already represented on important EC stock exchanges.

NEWS IN BRIEF

EC secures extra cover

Consumers will have legal recourse against suppliers of dangerous products within the EC from mid-1994, under a general product safety directive approved into law by EC ministers this week, writes David Buchan in Brussels.

The measure is designed to give consumers a right of recourse in sectors not covered by specific EC-wide safety legislation. It leaves member states responsible for monitoring safety and dealing with complaints, but provides a fast alert system.

Paris orders safety inquiry

The French government has ordered another official enquiry into safety standards at Superphénix, the world's largest super-genera tor, at Creys-Malville in Isère, south-east France, writes Alice Rawsthorn. The Superphénix, which took eight years to build at a cost of FFr25hn (£2,63bn), has been in full production for just

Moldovan government resigns

The Moldovan government stepped down yesterday, saying in could not cope with economic problems deepened by the conflict in the breakaway region of Trans Duestr, Reuter report

Speculation grows that Gonzalez may be tempted to call early general election grance hit by

pain suffers deterioration in economy wave of unrest

A SHARP fall in employment, in Spain, along with a widening of the country's public secter deficit, is adding to speculation about an early general election and causing heavy selling by foreign investors on the Madrid stock exchange.

The Madrid bolsa, which lost more than four points on Monday, reached 1992 lows yesterday. The government, its opti-mistic job creation and deficit-cutting targets for the year well out of reach, is struggling to decide how to improve

The first signs of concern in the markets emerged after Denmark voted against ratifying the Maastricht treaty The Danish rejection prompted heavy selling of long-term Spanish bonds, threatening to force Madrid into expensive short-term financing of its

Ireland's "yes" vote only briefly lifted the gloom, but official figures published in the last week have shown that Spain is now operating very wide of the mark on almost all its main economic indicators. country joined the EC in 1986,



tion in Jobs, with 110,000 Jobs -1,200 a day — being lost in the first quarter of 1992. In Decem-ber, the government was predicting=net lob creation of

dicting—net job creation of 200,000 this year and the reduction in employment is likely to aggravate already strained relations with the unions.

Madrid has badly miscalculated its income for the year, with official receipts rising just 2.8 per cent by May as the economy cools, while public spending has risen more than 10 per cent if Madrid was not per cent. if Madrid was not. delaying payments, spending would be up by around 20 per cent. At the same time the trade deficit has risen 15 per

The Spanish government is to appoint Mr Luis Angel Rojo, the 58-year old deputy governor of the Bank of Spain, as governor when the current two-term incumbent, Mr Mariano Rubio, retires at the end

The appointment ends months of speculation after Mr Rubio's involvement in a financial scandal earlier this year made it unlikely he would be reappointed for a third term. Mr Bojo is a highly respected academic who studied at the LSR.

cent to \$16bn following a slowdown in exports.

For a government that has trumpeted its intention to cut the public sector deficit from 44 per cent of gross domestic product to just 1 per cent of GDP by the end of 1996, its inability to control spending is a serious setback. Some econo-mists believe that unless measures are quickly taken the 1992 public deficit could widen

to 5 per cent of GDP. Madrid is scaling down 1992 growth forecasts from 3 per cent to around 2 per cent, but independent projections sug-gest growth will fall well under that. Some analysts are fore-

8-per cent, a 25 point rise on

Mr Carlos Solchaga, the finance minister, is studying two emergency measures to tax witheld on personal incomes and an immediate increase in VAT from 13 per cent to 15 per cent before the higher figure becomes obligatory next January.

He may also try to persuade Prime Minister Pelipe Gonzalez to freeze current spending and is likely to try to impose an extremely restrictive 1993 bud-get on the cabinet in the autumn. His problem is that campaigning for the next gen-eral election – which must be held by October 1993 – is already underway. Mr Solchaga is believed to be

urging Mr Gonzalez to go to the polls early, or at least before further belt-tightening measures become inevitable. Spain has already been stung by the European Community's refusal to make so-called cohesion funds available to it this year and was unable to secure agreement on how much these would be worth at the EC sum-



Gonzalez: bad news on economic front

By Alice Rawsthorn In Paris

FRANCE was vesterday hit by a series of strikes and demonstrations as farmers, dockers, airline pilots and lorry drivers stepped up campaigns of industrial unrest.

Traffic ground to a halt on a number of roads and motorways when lorry drivers protesting against changes in the driving licence system set up dozens of road blocks. Under the new system which comes into force today a driver can lose his licence by accumulating penalties for traffic

The Nord/Pas de Calais and Rhône-Alpes regions were badly affected. Tourists arriving from Britain and Belgium found most of the roads to Paris from the south blocked. Farmers, who have for the past fortnight been demon-strating against the European Community's agricultural reforms, yesterday staged another day of protest. The town centre at Bourg-en-Bresse, north of Lyon, was brought to a halt by 200 demonstrators. A high speed train was forced to stop for 30 minutes on the Toulouse to Paris line. Nearly 200 farmers cemented up the entrance to the Saone-et-Loire police headquarters at Macon.

Elsewhere there were protests against the Maastricht treaty. Coachloads of French dockers joined Spanish and Italian counterparts to seal off the customs post at Perthus in the Pyrénées. More than 1,500 dockers arrived at the scene as part of a 24-hour strike.

French air travel was disrupted by the start of a two day strike by pilots and mechanics at Air Inter, the French domestic airline. Air Inter said a quarter of its 416 scheduled flights were can-

celled because of the strike.

This industrial unrest is taking place against the background of a steady rise in French unemployment, adds Ian Davidson.

It reached a new peak of just over 2.9m last month in seasonally adjusted figures, the Labour Ministry announced. The total, equal to 10 per cent of the active population, is an increase of 0.5 per cent on the previous month and 8.6 per cent on the year.

The stricter definition of the Geneva-based International Labour Office, however, produces a smaller figure of just

Bonn agrees to pay for old age homes

GERMANY'S ruling coalition yesterday agreed to finance old age care within the public dem of paying wages for the health services, adding a first day of their employees' age care within the public potential new burden to the sick leave - estimated to costs of social security facing

German employers.

The deal should bring to an end one of the longest-running disputes in German politics, which has bitterly divided the government, and left the whole system of old age homes in effective limbo for the past 20

Agreement was reached yesterday after the Free Democrats (FDP), the liberal minority partner in the coalition, backed down and accepted that financing of old age care would have to be included in the wider state health insurance

Previously the FDP, strongly backed by German industry, had argued that old age homes should be financed by individusl and voluntary contribu-

Absence through sickness in Germany is widespread, because at present three days sick pay are guaranteed.

advantage.

effect on employers' costs, because they will simulta-neously be relieved of the buramount to roughly the same

The deal was nevertheless strongly attacked by the German chambers of commerce and industry (DIHT) as yet another burden on industry at a time when the costs of employing workers in Ger-many is already the highest in Europe. The chambers said that financing difference was a long-term and scattery calcuwas a short-term and limited

The agreement was greeted with delight in the coalition, and in particular by Mr Norbert Blum, the employment

tions. The intention is that the

UK urges early action on Earth Summit goals

Resources Editor BRITAIN is hoping to secure a

commitment from all the leading industrial countries to set the end of 1993 as the deadline for implementing many of the decisions taken at the Rio Barth Summit.

The prime minister, Mr John Major, has written to the heads of government of all the European Community and Group of Seven countries proposing an eight-point plan to preserve the momentum created by the

The points were agreed by EC leaders at their recent Lisbon summit. They will now be

put to the G7, which includes the US, Japan and Canada, at next week's summit in Munich. Mr Major wants industrial countries to ratify the Rio convention on climate change and draw up plans to implement it

He is proposing a similar deadline to draw up plans for the second Rio treaty, on protecting bio-diversity, though he is not pressing for ratification because the US has already refused to sign. Other points in his letter include a suggestion that countries say how they will implement Agenda 21, the Rio action programme, and give financial support to help poorer nations implement it.

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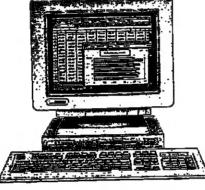
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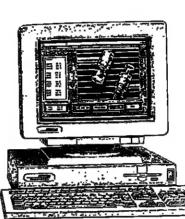
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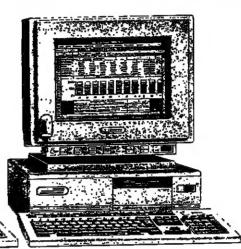
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Fears grow over pace of US recovery

By Michael Prowse

US CONSUMER confidence stalled in June, adding to fears that the recovery's momentum is flagging, a New York business analysis group reported

The Conference Board's widely-followed confidence index registered a disappointing 71.7 last month, fractionally lower than in May and far below the 100 plus level normal

Separately, the Commerce Department said its index of eding indicators rose 0.6 per cent in May, in line with expec-

The figures were released as Federal Reserve governors and regional presidents met in Washington to review monetary policy. The meeting continues today. The Fed is under strong political pressure to

lower interest rates. Mr Nicholas Brady, Treasury secretary, said it "mattered a lot" that the Fed had allowed the money supply to undershoot its targets "week after week". If the Fed was uncertain about the significance of weak money numbers, the prudent course would be to "over-

Mr Brady said the Fed should heed President George Bush's explicit call last week for lower interest rates.

The Fed's decision on rates is likely to be heavily influenced by employment figures for June, due out tomorrow.

it may delay a rate cut to avoid the impression of bowing to

political pressure. Mr Fabian Linden, for the Conference Board, said the levelling off in consumer confidence after increases in the preceding three months indicated the recovery was "still quite feeble". He said consum-ers' buying plans had weak-

ened between May and June. The number of respondents reporting bad business condiions outnumbered optimists by a margin of more than three to one. On employment prospects, the negative margin was even greater.

The index of leading indicators rose 0.6 per cent in May following increases of 0.3 per cent and 0.4 per cent in April and March.

The May increase was led by gains in commodity prices and an extension of the average factory work-week. Six of the 11 components of the index, however, made negative contributions, including orders for consumer and capital goods and the money supply.

The leading index's reliability is widely doubted. Last year it rose steadily from February to July, failing to give early warning of a sharp economic slowdown in the autumn.

An index of coincident indicators designed to gauge the economy's current health failed to rise in May, having been flat in both March and April This points to sluggish growth in the second quarter.

Corruption charges make Brazilian president's position seem increasingly untenable

Collor allegations raise tensions

PRESIDENT Fernando Collor of Brazil was expected to make a desperate bid to hang on to power last night, with a nationwide address in reply to mounting charges of corrup-tion which threaten to end his political career.

Tension mounted in the capital as time ran out on Mr Collor's self-imposed 48-hour ultimatum to respond to documented allegations that his household bills are being paid by Mr Paulo Cesar Farias, his campaign treasurer, who is under congressional investiga-tion for alleged extortion.

The claims follow a wave of allegations suggesting many close friends and associates of Mr Collor used their positions to enrich themselves illegally

from the state. Mr Collor has promised to respond to the charges in a televised broadcast - his third since the allegations were initiated by his younger brother a month ago. One aide said: "Mr Collor plans to go on the attack and hit out at vested interests whose privileges have been

try's worst corruption scandal. Mr Collor's position is becoming increasingly untenable.

Folha de São Paulo, the leading opposition newspaper, carried yesterday a front-page edi-torial demanding his

'It was the start of the Collor' government and the sale of Vasp was a symbol which could help the privatisation process'

immediate resignation. Mr Eduardo Suplicy, a senator from the Workers' party, said the future stability of the coun-try depended, on Mr Collor's

Several ministers are threatening to abandon the president unless he can prove his inno-

Mr Jose Goldemberg, education minister, told reporters:
"The documents which are appearing require an explana-tion." Mr Pedro Luis Rodrigues, the presidential spokes-man, admitted Mr Collor's speech was mainly aimed at convincing the ministers to

The central bank has had to sell more than \$500m (£270.2m) in reserves to prevent an explo-

sion in the dollar rate.

calmer yesterday after Mon-

day's 14.7 per cent drop, and

rose 7 per cent in the morning.

However, one trader warned:

"This does not indicate stabil-

ity, but simply how much stocks have already fallen."

The capital was so nervous that an early morning power cut led many to believe the military had seized power, a possibility most analysts discount. Military chiefs have apparently assured Mr Itamar Franco, vice-president, that if Mr Collor was forced out they would not interfere with the constitutional process.

Attention in Brasilia was focused yesterday morning on the questioning by a congres-stonal inquiry of Mr Marcos Coimbra, Mr Collor's brothCoimbra admitted that in 1990 he had called the then head of Petrobras, the state oil company, regarding a loan to enable a businessman to pur-chase the airline Vasp from the state of São Paulo.

Mr Coimbra explained: "It was the start of the Collor government and the sale of Vasp was a symbol which could give a good start to the privatisa-

tion process. He insisted he knew nothing about the payment of Mr Collor's expenses by Mr Farias. adding that a presidential investigation into this had not yet reached a conclusion.

Meanwhile, political leaders gathering in the capital for a meeting at which they were expected to demand the president's resignation, are beginning to voice support for Mr Franco who, under the constitution, will assume office if Mr

Collor is ousted. There are, however, considerable doubts over Mr Franco because of his opposition to policies such as privatisation. and a reluctance to resort to a lengthy impeachment process which would throw the country into even further instabil-

Extortion plea in Exxon kidnapping case

MRS frene Seale pleaded guilty yesterday to extortion and conspiracy to commit extortion in connection with the fatal kidnapping of Mr Sidney Reso, an Exxon

the president of Exxon International, was kidnapped outside his home on April 29.

His body was found at the weekend in a shallow grave in southern New Jersey. When the Seales appeared in federal court yesterday for arraignment on the indictment. Mrs Seale entered the plea of

and gagged in a sweltering storage room,

edly told investigators that Mr Reso died on May 3.

Mr Reso suffered a heart attack three years ago and was taking medicine to control his cholesterol, but it was unclear if

Colombia

tax levels

THE Colombian Congress has passed legislation clearing up

uncertainty about the tax

treatment of foreign investors.

although such investment will

still be treated less favourably

than originally proposed by

The legislation had been

stuck in Congress for months; legislators made various pro-posals that would have set tax levels so high that foreign

investors would have been

Although the tax burden on

foreign companies will ini-tially be fairly heavy, the rate

will drop significantly in suc-

ceeding years, particularly for

those reinvesting part of their

Mr Rudolf Hommes, finance

minister, said: "I like this bias

in favour of investment."

Although the government

would have preferred more favourable terms for foreign

investors, "it clears up the sit-

nation of uncertainty in rela-

puts public finance near equi-librium."

The government needed to

raise tax revenues, in part to replace lost income from

reduced taxes and duties on

The 1991 fiscal deficit is

forecast at about 1.4 per cent of GDP, but 1 per cent of this is due to weak coffee prices,

which increase government

Foreign companies will be liable for the basic income fax rate of 30 per cent and a sur-

tax charge of 7.5 per cent. The tax on profit remittance starts at 12 per cent in 1993 and, for non-oil companies, falls to 7

For oil companies, the rates are higher because of a 600 are higher because on pro-peso/barrel (92 US cent) pro-

profit remittance tax will stay

Although the reform allows

for a withholding tax of up to 30 per cent on incoming for-

eign currency, it is unlikely

the rate will be anywhere near

this. As high tax would encourage black market deal-

ing, the figure will probably

Plans to raise value-added

tax from 12 per cent to 18 per

cent had to be scrapped and

VAT was set at 14 per cent; the

long list of exceptions include agricultural machinery.

Duties on luxury items such

as spirits and private vehicles

range from 35 to 45 per cent.

The change in VAT and

many of the other reforms

apply up to 1997, when a new

Manoeuvring the reform

through Congress was espe-

cially difficult because of

declining government popular-

package will be needed.

be nearer 10 per cent.

duction tax and becaus

transfers to growers.

per cent by 1996.

at 12 per cent.

foreign trade.

profits in the country.

the government.

clarifies

foreign

Chile's right wing to block reform after poll defeat

is preparing to block a vital package of constitutional reforms proposed by President Patricio Aylwin, in retaliation for its humiliating defeat in municipal elections on Sunday.

The reforms seek to expand the limited scope of democratic rights set out in the 1980 con-stitution, a legacy of General Augusto Pinochet's 16-year dic-

Mr Aylwin can draw only limited comfort from the 53.3 per cent polled by his centre-left coalition in Sunday's contest. The opposition, which controls the Senate, said the vote did not give him a mandate to "steamroller the country with political reforms".

The draft amendments seek, among other things, to weaken Gen Pinochet's constitutionally unassailable hold over the armed forces and what is, in effect, his and the military's control over the Senate and the National Security Council.

"Without the proposed changes," says Mr Sergio Bitzr, a leading socialist in Mr Ayl-win's coalition, "Chile risks being saddled with an emascu-lated democracy, a rubber stamp parliament and a president subject to being pressured by the armed forces."

Renovacion Nacional, the largest opposition party, says the reforms are a "political time-bomb". The extreme-right Union of Independent Democrats regards the 1980 constitution as one of the finest achievements of military rule and says it will not sanction

any changes. The hostility of right-wing perties to constitutional reform signals the end of the "democracy of consensus" that marked the first two years of Mr Aviwin's administration. Back then the government won important tax and labour reforms with the co-operation of opposition leaders, who were keen to establish their democratic credentials.

But the mood for compromise has evaporated following the right's setback in the

municipal elections, where it polled less than 30 per

The opposition's chances of winning next year's presidential and congressional elections look slim, which is why it will do everything in its power to torpedo the government's pro-

Even before the package was sent to parliament, government officials were admitting the amendments would founder in the opposition-con-trolled Senate. They implied that their presentation was a mere formality to comply with Mr Aylwin's electora

The president has begun to back out of some of his proposed reforms. Designated senators will be allowed to com plete their eight-year terms. He has also promised he will not fire Gen Pinochet from the army command if Congress restores the president's power to decide military appoint-

The former dictator, now 76 and fitted with a pace-maker, has decided he will remain at the helm of the army until

Although the dangers of a military coup seem remote, Gen Pinochet is an embarrassment to the Aylwin government, particularly abroad. Earlier this year the Chilean army was caught off-loading surplus equipment to Croatia, in violation of a UN arms embargo. Nonetheless, his grip on the army raises questions about whether the military would be fully obedient to civilian

authorities in a crisis. Mr Aylwin's about-turn has disappointed the left flank of the ruling coalition. They believe a booming economy and the government's popular-ity is blunting the president's reforming zeal.

"No democracy in the world grants life-tenure to military chiefs," says Mr Bitar. "Pinochet's unassailable position is a problem of Chile's transition to democracy and we must solve it now."

Strike hits Bermuda tourism industry

By Linda Bilmes In Hamilton, Bermuda

BERMUDA'S ailing tourism industry has been hit hard by a week-long strike called by the island's main union, the Bermuda Industrial Union (BIU). The strike was triggered by the allegedly unfair dismissal of a black employee of Bermuda Forwarders, a small freight forwarding company.

Buses, taxis shipping ferries,

rubbish collection, dock loading, and some hospital and construction services have been affected by the strike. Picketers have been blocking access to the island' airport since Friday, causing delays and five-hour traffic jams.

The strikers are demanding the reinstatement of the employee as well as 15 co-workers fired after walking out in sympathy.

The strike has been fuelled by an undercurrent of racial tension. The island's population is more than 50 per cent black, and blacks comprise a majority of BIU membership. Mr Ottiwell Simmons, MP, president of the BIU, accuses the government of "a con-certed effort to break the union and destroy its leadership". On Monday, police arrested 15 prominent union leaders who were picketing the airport. including the presidents of the port, hospital, bus operators

 \rightarrow

and lorry drivers' divisions. The government has also obtained a Supreme Court injunction ordering public employees back to work. The BIU vows to intensify the strike. Bermuda's tourist industry, already battered by three consecutive years of recession, fears that 3,500 unionised hotel workers will join the strike.

Premier Sir John Swan warned yesterday that "there is a danger of very real damage being done to the economy. We cannot allow visitors to this island to be used as pawns in the dispute?



On offensive: Fernando Collor targets 'vested interests'

executive, AP reports from Trenton, New

Jersey. She and her husband, Mr Arthur Seale, were arrested on kidnap, extortion and conspiracy charges on June 19. Mr Reso,

Mr Reso died five days after suffering a gunshot wound to the arm, while bound

guilty to the lesser charges of extortion and conspiracy. Mr Seale's arraignment was postponed until later in the day.

The Seales have been held in separate jails since their arrests. The couple, both 45, initially refused to speak with investigators. However, Mrs Seale later report-

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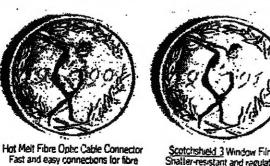




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'dumping' list hits new peak

By Nancy Dunne in Washington

TWELVE US steel companies yesterday filed 84 trade complaints against 21 foreign countries in their latest attempt to counter flat-rolled steel imports and trading practices they claim are unfair.

Led by the six biggest integrated steel companies, the producers submitted to the US Commerce Department and the International Trade Commission the most extensive set of "unfair trade cases" in the industry's history. The same strategy in the 1980s forced foreign governments to agree "voluntary" restraint agree-ments in exchange for an end

to expensive trade action, Mr. Thomas Usher, president of US Steel Group, said an exhaustive review of international trading patterns showed many governments continued to "massively subsidise" their steel exports and "systematically" dump them in the US "at prices far below fair market value and often below produc-tion cost. Despite \$23bn (£12.4bn) spent to modernise the industry, the steelmakers last year lost more than \$2.2bn, he added. "Another \$108m was lost in the first quarter of the year; results for the second will also be unsatisfactory."

Almost all major steel-producing countries were named. Britain was accused of subsiding its steel production by 20.15 per cent and selling its exports in the US market at 18.05-114.81 per cent below what US law considers fair market value, Germany was accused of 5.39-64.46 per cent subsidies and 1.97-64.46 per cent dumping margins. Also named were Argentina, Australia, Austria, Belgium, Brazil, Canada, Finland, France, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Poland, Romania, Spain, Sweden and Taiwan. The steel producers ignored pleas by US steel trading companies to refrain. The producers are led by USX. Bethlehem Steel, LTV, Inland Steel, Armco and National

US steel Hopes fade for quick end to Uruguay Round

By David Dodwell. World Trade Editor

HOPES that the Bruguay Round of world trade liberalisation talks would be settled before US elections in November appeared to take yesterday as European Commission officials conceded they had given up hope of presenting a compromise on farm trade to the US this week.

To break a long-standing dispute with the US on farm.

needed to present its compromise to Washington before next week's Group of Seven summit in Munich.

An EC official predicted that no settlement would be possible until after the US elections, warning that trade disputes between the EC and the US could escalate into trade

trade talks impasse could be broken in May when the EC agreed sweeping reforms of its

for EC cuts in subsidised farm trade that the US, and other. farm exporters, had been calling for since the end of 1990.

EC officials insist that differences between the US and the EC are now infinitesimal, but complain that conflicts inside the EC secretariat, and crises elsewhere, have made it impossible to agree an EC position that could be offered to the US. Mr James Baker, US secretary of state, has been ready to meet EC officials at

short notice.

At the same time, however, staff inside the EC Agriculture Commission have argued that there is no urgency to reach a settlement with the US. This position has been endorsed by France, which is Europe's leading food exporter and is concerned by Uruguay Round proposals to cut subsidised food exports by 36 per cent in value terms, and by 24 per cent in terms of volume.

An official in the EC's External Affairs Commission said crisis, and conflict in Yugoslavia, had diverted the attention of Europe's leaders: "I don't think anything can now happen [on the Uruguay Round] until after the US elec-

"The main failure here is with the Commission itself," he added. "Unhappily, because of internal divisions, we have not been able to agree a position that we are ready to fight for, and to sell to member

Mr Jacques Delors, Commission president, has in turn been unwilling or unable to

US-EC disputes over Airbus, ing - which have been held in check while Uruguay Round negotiations have continued in

There will have to be a lot of goodwill or this could slip

KLM poised for right to operate within the US

KLM, the Dutch national airline, is poised to be the first European airline to be granted the right to operate within the US. The deal could open the way for other European countries to strike similar deals and, as part of a quid pro quo, give US airlines increased rights to operate between European cities.

"The first round of talks between the US and the Netherlands) is expected to take place in late August," Mr Pieter Bouw, KLM president, said yesterday. "This could well lead to the signing of an agreement between the US and the Netherlands before the American presidential elec-

tions in November." Washington hopes other European governments could be pressed by the move to open up their own skies, so that their national airlines could follow KLM into the US domes-

Mr Jeffrey Shane, US assistant transportation secretary, said this week: "There needs to be a competitive prod in the form of a carrier establishing a much larger foothold in North America and forcing everyone

In the US magazine Aviation Week, he said KLM would be the most likely European carrier to fulfil this role. It could be followed by Singapore Airlines if the US government's planned "open skies" policy were extended to the Pacific

KLM and Singapore Airlines would benefit from the main plank of that policy; introduc-tion of "cabotage", the right for foreign airlines to fly in the US. August's talks between the US and the Netherlands will include the question of foreign ownership of US airlines.

KLM has a 20 per cent stake in the parent company of Northwest Airlines, the fourth higgest US carrier by turnover. US law prevents foreign ownership of airlines. Mr Bouw wants "substantially simplified regulation of non-citizen ownership of airlines".

No plans existed to raise KLM's stake in Northwest, but rule changes would "open almost limitless opportunities for co-operation with North-west." This could mean improving links between the two airlines' networks, and in areas such as maintenance, where work can be shared. Mr Bouw will press for an increase in the number of US cities from which KLM can fly to Europe, an important step in setting up a global airline network. This was a project KLM

could not complete on its own But KLM and British Air ways had not re-started talks on a strategic alliance. However, "we are not ruling out a

Japanese frown on 'dango'

A CANDY-STRIPED book The official warned that landed on the desks of Japanese building executives yesterday, instructing them in the fine arts of competition and the dangers of dange, Robert Thomson reports from Tokyo.

Dango are cosy cartels to smooth out the bumps of competition" - as an executive once put it - by awarding contracts, fixing prices and generally rigging bids. They have upset the US, which wants to prise open the market for its contractors. By publishing the book, Japan's Federation of Construction Contractors hopes to show the US it is tackling the problem.

Publication coincides with a warning by the Construction Ministry to 66 companies found to have rigged bids for government projects in Tokyo.

Nigerian airline fined in London

Nigeria Airways was fined £60,000 for contempt of court in London yesterday, after breaching injunctions intended to stop it undercutting a travel agent's ticket prices, writes Bethan Hutton. The UK general manager of Nigeria Airways, Mr Brendan Anugwom, was fined £2,000. The injunctions were granted in July and November after CES Travel complained that the stateowned airline was selling tickets at lower prices than specified in a sales agreement.

Czechoslovak pact goes ahead

A free trade pact between Czechoslovakia and the European Free Trade Association (Efta) comes into effect today, despite uncertainty about whether the country will split into two separate states, writes Frances Williams in Geneva.

Szczecin shipyard

The debt of Poland's Szczecia shipyard should be 2,000bn zlotys (£77.7m), not 12.000bn zlotys, as reported in the Financial Times of June 30, 1992.

Democrats form queues to back US trade bill

Mileage can be won from foreign foes', writes Nancy Dunne

Possessince the US mer-chandise trade balance turned negative in the 1980s, there has been an unwritten political rule election years - particularly presidential election years - require the Democrats to move a trade bill through Congress. This year's bill, which could

come to the floor for debate as early as next week, is not much different from past ventures. It allows the Democrats to seem to stand up to foreign foes in a way that presidents - who must handle the cousequences - often cannot. Yet it. gives the responsibility for tough action to the president's appointee, the US trade repre-

sentative. The current trade bill is notable for the fact that the provision most egregious to free traders has already been removed. It would have limited domestic car production by Japanese subsidiaries, who

were begged to set up US plants a decade ago. It would have frozen the Japanese share of the US market - imports and domestic - at 1992 levels for seven years. raising the ceiling only to off-set the increase of American

This is not to say that all the

controversial stipulations have been removed. The bill remains, according to one US trade lawyer, "a mishmash of

special interest legislation".

It would, for example, expand the anti-dumping regime to attack "circumvention, of chimping duties. Thus countries which set up final assembly facilities to "evade". dumping duties in third countries - or even the US - could still find the duties imposed-either on the final product or

on its imported parts.
One proposal takes aim at EC patent rules. Another requires the US trade representative to retaliate (with a few exceptions) against countries if year of negotiations over intellectual property rights fails to convince them to change their ways.

It also contains a five-year extension of "Super 301" - a provision in the 1988 trade legislation which required the US trade representative to name the countries with the most formidable trade barriers and negotiate them away. Super 301 expired after two years. much to the trade representafive's relief.

The bill requires the trade epresentative to institute a trade complaint against Japan



Bentsen: favours simple bill to assist 'enforcement'

for its closed rice market and substantially tightens the rules for the Generalised System of Preferences, which gives dutyfree entry to products from developing countries.

Democratic Congressman Sander Levin of Michigan is expected to bring to the House floor an amendment which directs US trade officials to institutionalise the informal commitments made by Japanese motor companies early this year.

It would require Japanese companies to boost their purchases of parts from US suppliers and it suggests holding Japanese car exports at 1.65m. The current trade bill also has something the administration wants - customs moderni-

sation - on the theory that

President George Bush may be

induced not to veto it. But that is a decision still to be made. In the House, the legislation has the blessings of trade hawks - such as Mr Richard Gephardt, the Majority leader and moderates, such as Mr

Dan Rostenkowski, chairman of the powerful ways and It is likely to get toned down when it reaches the Senate and vetoed by the president, but

opponents worry that similar legislation may reappear next In the Senate, Mr Lloyd Bentsen, chairman of the Senate finance committee which has authority over trade, would like a simple bill extend-

ing Super 301 and a "trade

enforcement act" Which

requires the US government to retaliate if countries fail to live up to their trade agree-Most congressmen know passage of the proposed legislation would create an outcry in the General Agreement on Tariffs and Trade (Gatt). They also know that the voters do not have a clue about either the

Gatt or international trade

rules, so they hope the legisla-

tion can be sent to the presi-

dent for an unpopular veto just

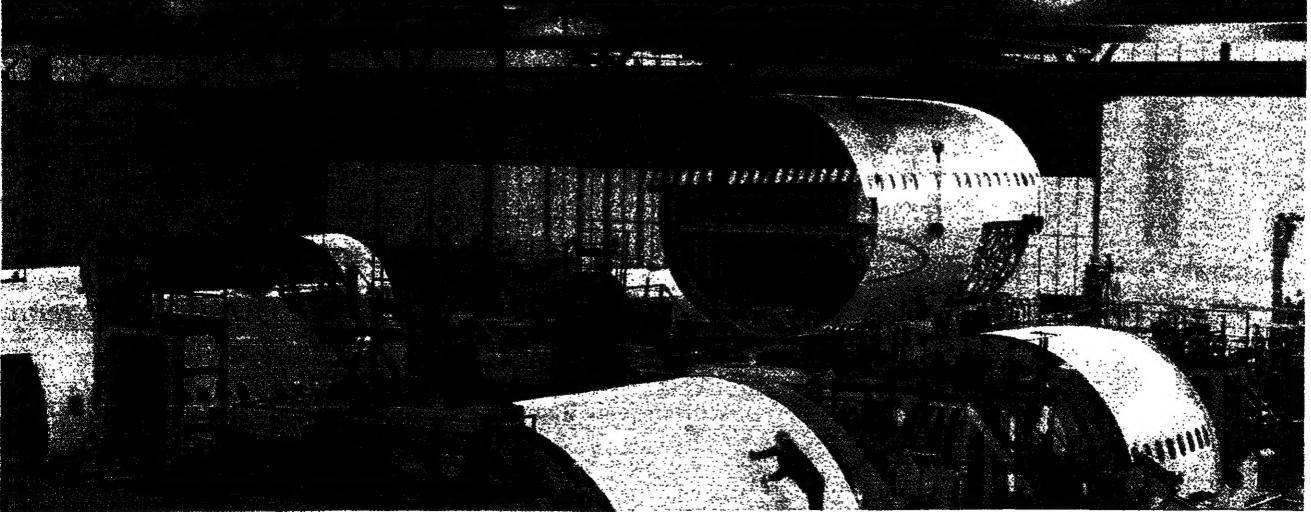
before the November elections.

else to catch-up ball".

BA deal yet".

Mechanical engineering + electronics

Mannesmann's decisive edge



Assembly of the Airbus in Hamburg-Finkenwerder: The shell components are brought into the assembly hay by means of a radio controlled suspension monorail system. An overhead travelling crane then takes over, transferring these freely suspended age components to their



Airbus assembly system

The Airbus has taken off all over the world and is now locked onto a flightpath to success - thanks to a pioneering design concept backed up by equally advanced manufacturing and logistical techniques. A production system from Mannesmann Demag controls the fuselage assembly of all the different aircraft types which make up the Airbus family. Load lifting and handling systems transfer the shell components on the wing from the ware-

housing system to the various workstations. There they are joined together to produce the longest single element of the plane - the body. The electronically driven system monitors all materials flow and step-by-step assembly and coordinates every production stage, executing each move quickly, reliably and with absolute

Mannesmann builds plants and machinery, makes systems and components for the automotive industry, manufactures by draulic, electric and pneumatic drives and controls, develops and supplies measurement, automation and information technology, provides telecommunication services, produces steel tube and pipe, and trades on a worldwide scale. Income from sales earned by its 125,000 employees lies in the region of DM 24 bil-

Mannesmann AG D-4000 Düsseldori 1 By John Burton in Secul

gest business groups.

of the Korean economy.

THE South Korean government, in its

latest action to curb the power of the

country's industrial conglomerates, yes-

terday imposed a freeze on cross-pay-

ment loan guarantees among the 30 big-

glomerates, or chaebol, frequently guarantee loans given to other units of the

same industrial group. The government wants to tighten credit to the *chaebol* in

an attempt to reduce their dominance

Officials claim that the loan guaran-

Subsidiaries of the family-owned con-

Rabin government 'intent on reform'

By Hugh Carnegy In Jerusalem

ISRAEL'S new government, to be led by the Labour party following its election victory last week, will be committed to market reforms of the sluggish economy, a key economic policy adviser to Mr Yitzhak Rabin, the prime ministerelect, said yesterday.

But Mr Avraham Shochat, a senior Labour MP who is a leading candidate to become finance minister, admitted in an interview that the party had not formulated a detailed plan for the immigration-burdened economy. This was despite calls from the US during the election campaign for an urgent liberalisation pro-

Mr Shochat added that, although Labour backed privatisation, it opposed allowing at least four of the biggest stateowned companies to slip out of Israel Chemicals, Israel Aircraft Industries, the telecoms monopoly Bezeq, and the Israel Electric Corporation utility.

He suggested a majority of the shares in these four could be sold through a stock exchange flotation, but the government would keep a form of control as the biggest shareholder through a stake of "at least 26 per cent". Mr Rabin has said he also favours keeping El Al, the state airline, under similar control.

But Mr Shochat insisted the party's commitment to social-ism had changed, reflected in the endorsement of market-oriented reforms at a party convention last year.

Accelerated privatisation is one measure being urged on the new government to help cope with mass immigration It is supported by the Bank of Israel as well by as the US, which provides Israel with \$3bu (£1.6bn) in annual aid. Mr Shochat said be accepted much of the central bank's advice, saying Labour's privatisation plans would achieve "quite a release of government control over the economy

He said about Shklbn (£217m) a year would be diverted from spending on Jewish settlements in the occupied territories to boost infrastructural investment in Israel proper". Labour hopes this will persuade the US to provide \$10bn in loan guarantees to boost investment

• Mr Rabin said yesterday he sought "continuous negotia-tions" with Palestinians in an effort to reach an interim settlement in the occupied territo-ries. He wanted to abandon the previous custom where the parties met for a few days only every two months.

His call was welcomed by Mr James Baker, US Secretary of State, who said in Washington: "We were very pleased to see the statement by Mr Rabin saying, let's engage and let's stayed engaged and let's get something done."

Japan's labour market slackens

By Steven Butter in Tokyo

JAPAN'S labour market showed clear signs of slackening in May in response to the steep slowdown of the Japanese economy, although employment remained at high levels, according to government statistics released

yesterday.
The Management and
Co-ordination Agency said unemployment in Japan inched up by 0.1 per cent to a seasonally adjusted 2.1 per cent in May. The ratio of job offers to applicants, however, declined from 1.17 to 1.14, according to the Labour Ministry, indicating a considerable loosening of the labour market compared to March last year, when the ratio

However, some economists believe that the labour market will have to show even stronger signs of softening before a recovery of the In the manufacturing sector,

which has been hit hardest by the slowdown in Japan's economy, employment fell by 100,000 compared to April, when 20,000 jobs were lost.

Although not reported in the survey, overtime and part-time work in manufacturing industries is known to have been cut back sharply as well.
Job losses in manufacturing were more than offset by an increase of 580,000 jobs in the

service sector. Also yesterday, the Economic Planning Agency said its index of leading indicators in April fell from 40.9 per cent to 18.2 per cent, pointing to weak economic activity in the months ahead. The EPA report showed across-the-board weakness of the economy, with the exception of the housing sector.

An expected recovery of the housing sector, however, was yesterday brought into question by the Construction Ministry, which reported a 0.1 per cent year-on-year decline in housing starts in May, following a small increase in April Starts of private-owned houses increased by 9.1 per cent, while construction of houses for sales fell by 33.4 per

down by 45 per cent. The Japan Machinery Federation said that planned spending on plant and equipment by the country's largest machinery makers is down 13.2 per cent this fiscal vear, compared to actual spending last year.



Tough line: Indian prime minister yesterday warns of dismissals

Rao says ministers linked to scam will go

By David Housego in New Deinl

MR P V Narasimha Rao, the Indian prime minister, said yesterday that he would dis-miss any member of his government found implicated in the Bombay financial scandal. . Addressing his first press

conference in Delhi since taking over power a year ago, he said that any minister found to have been involved in the securities scandal "will not remain in the ministry".

Senior officials say privately.

that they know of no evidence to incriminate ministers. Opposition leaders claim, however. that two or three ministers are implicated and plan to make this the main plank of their attack on the government when parliament reconvenes . xt week.

The prime minister defended the government's handling of the still widening fraud case that has cost financial institutions more than Rs30bn (C576m) by saying that it had acted speedily when irregularities had been uncovered.

Mr Bhupen Dalal, one of Bombay's best known brokers. and 11 others, were yesterday refused bail and remanded in custody on fraud charges.

Officials argue that the onus of proof against ministers and senior officials now lies with the opposition.

If the opposition is unable next week to substantiate allegations against ministers now widely circulating in Delhi, the government will emerge the stronger.

The prime minister described himself as having "an open mind" on measures needed to plug the loopholes in the finan-cial system which had led to

Mr S. Venkitaramanan, the Reserve Bank (central bank) governor, has come under pressure as a result of the scandal. Mr Venkitaramanan defends himself as having uncovered the fraudulent trading within the securities market.

Mr Rao defended his government against charges that it was moving too slowly over economic reform.

He said that over-rapid change could "catapult" the country into further difficulties. He said that what was needed was "quick but steady change".

Reaffirming his belief in increasing liberalisation, he said there would be no change in the content or direction of

NZ central bank warns on budget financing

By Terry Hall in Wellington

THE New Zealand Reserve Bank, the country's central bank, yesterday warned the government that any structural deterioration in the financial deficit in tomorrow's budget could force it to tighten

monetary policy.
In April, Ms Ruth Richardson, finance minister, warned that the deficit was likely to double this year to NZ\$3.4bn (1997m) from a forecast NZ\$1.7bn. Financial markets have been expecting a deficit of between NZ\$2.7bn and NZ\$3bn to be announced for the coming year in the budget.

The Reserve Bank, which has been given an independent role in setting monetary policy to secure low inflation, said in yesterday's six-monthly statement that it was comfortable with the present fiscal position, but any structural deter oration would pose a significant risk to the inflation outlook.

Mr Don Brash, the governor, said that the bank's key concern was that the fiscal outlook remained sustainable over the medium term, and that this was how it was seen by financial markets.

In its statement, which is seen as important in forecasting the bank's response to economic developments, the bank said it expected actual inflation would rise from 0.8 per cent in the year ended March 1992 to 1.8 per cent by the end of the current year.

However, this increase was still well within the bank's target range for inflation of zero to 2 per cent, It forecast that inflation would fall to 0.9 per cent by the end of next year. before rising slightly to 1 per

cent at the end of 1994. Mr Brash said that the bank was shifting its emphasis on reducing inflation to ensuring that low inflation was maintained in a growing economy. "We believe the economy is entering a period of sustain-

able growth and feel reasonably optimistic this recovery will not reignite inflation." He said people now accepted that the bank would act to sup-press inflation, leading to a drop in inflationary expecta-

However, there was still some uncertainty over how effective the employment con-tracts act, which has drastically weakened trade union power, would be in a period of economic growth, Mr Brash

chaebol have built up such huge debts as a result of the cross-payment guaran-tee system that they have made hostages of the commercial banks," said Mr Suh Sang-mok, a government MP and a leading critic of the chaebol. "The banks fear that the collapse of one chaebol subsidiary would lead to

tees have encouraged excessive lending to the chaebol, while depriving loans to

small and medium businesses. "The

the downfall of the entire business as a result of the guarantees. So they keep lending," he explained. The government said that the total amount of the crosspayment guarantees among the 30 chae-

bol amount to Won113,400bn (£77.2hn), while their total equity capital is only Won31,400bn.

Seoul moves to curb debt of 'chaebol'

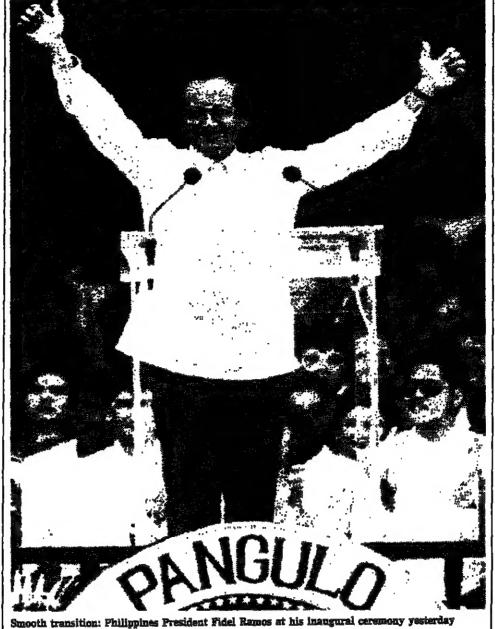
Hyundai, the chaebol that has been the subject of recent politically motivated attacks by the government, would suffer the most under the reform. It accounts for almost a quarter of the loan guarantees. Yesterday's action is only considered a preliminary step. The government is expected to soon set a ceiling on the total amount of loan guarantees, with the ceiling gradually lowered over the next few years.

There are doubts, however, whether

the government will fully implement

The government has mainly relied on credit restrictions to control the chaebol during the last few years, but to little avail There are indications that the government may be consequently changing its reform strategy. Officials have recently discussed offering incentives to the conglomerates to encourage them to specialise in a few core husinesses and dispose of unproductive assets. Attention has also focused on measures to widen ownership and dilute the control of the family owners. Officials believe that this would lead to more professional management

the reform of the guarantee system.



Ramos declares as priority restoration of 'civic order'

By Jose Galang in Manile

MR Fidel Ramos, sworn in yesterday as the new president of the Philippines, declared as his priority the restoration of "civic order" in order that business and the economy may prosper again.

In a speech capping the insugural ceremonies, Mr Ramos said that "without stability, businesses cannot run, workers cannot create wealth, liberty cannot flourish, and even individual life will be brutish and precarious".

He also said he would seek amendments in the constitution to "make our political system fairer to all and more representative of the vastness and

variety of our country". That declaration was seen as Mr Ramos' consent to calls for a shift in the form of government to a parliamentary system from the multi-party presidential system, which over the past six years has contributed little to development efforts. Mr Ramos, who won the May

11 election with only 23.6 per cent of the vote, said he would

continue to reach out to all groups that participated in the poll with the aim of putting an end to "petty rivalries that have kept us down". To "nurse the economy back

to health," Mr Ramos said his administration would concentrate on providing basic services and pursue deregulation and privatisation.

The new president also paid tribute to former president, Mrs Corazon Aquino. Yesterday's ceremony was the first peaceful transfer of power-since 1965.

NEWS IN BRIEF Australia unveils compulsory savings

Australia's Labor government yesterday unveiled a compulsory national savings scheme to inject billions of dollars into pensions

national savings scheme to mject fillions of reign debt and boost to cope with an ageing population, check foreign debt and boost investment in industry, Reuter reports from Canberra.

"There is scarcely one economic indicator that will not be enhanced as a result of increasing our domestic savings," said Mr John Dawkins, federal treasurer.

John Dawkins, federal treasurer.

Employers will have to pay 9 per cent of their payroll into a pension fund for employees by 2002. Employees will also have to pay 3 per cent of salary to the fund by the year 2000. At present, private sector employers pay only 3 per cent of salary into a pension fund, with added but voluntary employee contributions.

"By 2002, some A\$2.65hn (£1.07bn) will be added to national actions of the property of the property of the pension of savings each year," said Mr Dawkins. Economists estimate the pool in pension fund schemes in Australia could reach A\$900bn by the end of the decade.

China auctions company

A bankrapt state company is to be auctioned for the first time in China, writes Yvorme Preston in Beijing.

According to the official China Daily, foreign buyers are wel-According to the official China Dauly, foreign buyers are welcome to bid for Guangchang Color Printing Equipment company,
based in Shenzhen, the special economic zone bordering Hong
Kong. Bad management and low profits put the company heavily
in debt, the newspaper added, and made it the first bankruptcy to
occur in Shenzhen, with debts amounting to 2m yuan (£197,000).
Auctioning off the company's property would protect the interests of creditors, the paper said. Past practice has been to hand
heavily anterprises in government departments.

Fatah leader assassinated

Unidentified assailants yesterday shot and killed the commander of Palestine Liberation Organisation chairman Mr Yassir Arafat's Fatah guerrillas. AP reports from Sidon. Police said attackers opened fire at Colonel Anwar Madi with automatic rifles in the southern Lebanese provincial capital of Sidon.

Hizbollah backs poll

bankrupt enterprises to government departments.

Shia Moslem fundamentalists took an important step towards the mainstream of politics yesterday when Hizbollah (Party of God) announced it would take part in Lebanon's first post-civil war general election, Reuter reports from Beirut.

within three months, although Christian hardliners are pressing for delay. Mr Samir Geagea, chief of the rightwing Christian Lebanese Forces (LF), declared yesterday his group would boycott the vote if it were held too soon. The general election will be the

IDB boost planned

Islamic finance ministers will meet in Jeddah, Saudi Arabis, on Saturday to approve a plan to double the paid-up capital of the Islamic Development Bank (IDB) to around \$6bn (23.2bn), Reuter reports from Bahrain.

Iraq, an IDB member, has been invited, according to one offcial, but it was not clear whether it would send a representative to Saudi Arabia, which fought Iraq in the Gulf crisis

S African banks cut rates

South African commercial banks yesterday began cutting prime rates by one percentage point after the Reserve Bank on Monday night cut its lending rate from 16 per cent to 15 per cent, Jun Foreign Staff writes.

Thai PM faces deadline on economic reform

By Victor Mellet in Bangkok

THAILAND'S parliament was dissolved yesterday ahead of a new general election on Sep-tember 13, leaving Mr Anand Panyarachun, the interim prime minister, only 10 more weeks in which to consolidate his economic reform programme and curb the influence of the military in politics and

Mr Anand, appointed after the killing of at least 50 pro-democracy demonstrators by troops in May and the resignation of Gen Suchinda Kraprayoon, his unelected predeces-sor, said his administration would continue to function at full capacity.

"We get used to the term 'caretaker government'," he said. "There is nothing in the constitution which states that after the dissolution of parliament, the government in charge is a caretaker govern-ment."

Although his government cannot introduce new laws, his cabinet and the monetary authorities have already shown themselves determined to build on the economic liberalisation measures fostered by his previous administration between February 1991 and the elections in March this year:

 The Transport and Communications Ministry has ordered. an investigation into allegations of corruption at Thai Airways International, the national airline whose shares are due to start trading on the stock market next month. • The Bank of Thailand, the central bank, is this week studying plans to allow foreign banks more scope to operate in Thailand and considering tax incentives to encourage them

to finance projects in inde-china from Bangkok. • Thailand's new Securities and Exchange Commission says it is establishing a team of 100 investigators to examine

dubious stock market deals, and is already probing suspected irregularities by an unnamed, listed stockbroking company believed to have lend money to present the related companies to the believed to have shares.

• A privatisation drive continues despite the had blood over

ues despite the bad blood over-the flotation of Thai Interna-tional. Electricity Generating Co, a subsidiery of the stateowned Electricity Generating Authority of Thailand, is to buy Egat's Bt20bn Rayong power plant and be sold to the public next year in the first stage of Egat's

. The cabinet this week approved the award of a contract for 1m telephone lines in the provinces to a consortium led by Loxley of Thailand On the political front, Mr resignations of senior military commanders blamed for the

He urged Thai voters to elect decent representatives in the in March which brought Gen Suchinda, himself not an MP, tion of pro-military parties were marred by widespread

Malaysia confronts dilemma of foreign workforce

Registration drive highlights problem of 'illegals' in a fast-growing economy, writes Kieran Cooke

VER THE past few days Kuala Lumpur's immigration have had a frantic air about them. Crowds have been milling at every counter, trying to harness the attention of harassed officials. Tempers have frayed, arguments have broken out. Many have waited

in vain all day. Midnight last night was the deadline for registration of all those working illegally in Malaysia. Those who have not registered, says the government, will be put into camps and deported.

In each of the past four years Malaysia's growth has been more than 8 per cent, creating a serious labour shortage. For-eign workers, many of them illegal, have become a key element in the economy.
Indonesian "illegals" make up a large percentage of those employed on the rubber and paim oil plantations of peninfrom Malaysia to Indonesia sular Malaysia. in East Malaysia, particularly in the

resource rich state of Sabah, Indonesian and Philippine workers outnumber locals on the big plantations and in the timber industry. Malaysia has a population of 18.5m. Foreign workers, while the figures vary widely, are estimated to number more than 500,000 in peninsular Mal-

imminent launch of a nationwide police operation. The government says Malay-sians themselves are suffering aysia and possibly more than because of the foreign influx. 1m in the east of the country. Markets have been taken over Gross National Product per capita in Indonesia is \$600, in by illegal Indonesian traders Malaysia \$2,500. An Indonesian

working on a building site in that unscrupulous employers workers rushing to Kuala Lum-Kuala Lumpur can earn up to take on "illegals" rather than Malaysians because they can 10 times the wage back home. pay the foreigners lower Malaysian officials say that last year worker remittances But the Malaysian authori-

were about M\$2bn (US\$800m) ties realise they have to tread "The problem of illegal immicarefully. Any wholesale exogrants is a big one and has to be resolved before it gets out of dos of "illegals" and the economy could suffer. As the econhand," says Mr Ghafar Baba, omy industrialises, more Malaysia's deputy prime minis-Malaysians are moving to the ter. Mr Ghafar has warned of urban areas - to work in factotough action against those who ries or service industries. have not registered, with the

The Agricultural Producers Association says output in the plantations sector could drop by as much as 30 per cent if all "illegals" were deported. Traders in palm oil - Malaysia is the world's biggest producer - say a recent sharp reduc- Indonesian authorities if sent tion in stocks is partly due to home and are demanding polit-

pur and other centres to regis

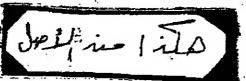
Most of the unskilled labour in the booming construction industry is Indonesian. Employers complain that work on several projects has slowed because of workers absence for long - and what they consider excessively bureaucratic

- immigration procedures. There are other difficulties for the Malaysian government. For the past week a group of indonesians from the strongly Moslem state of Acheh in the north of the island of Sumatra has been camped in UN offices in Kuala Lumpur. They say they will be mistreated by the

tional has appealed to the Malaysian authorities on behalf of the Achenese.

Government opponents say the authorities are acting too late and that the increased immigration - mainly from Moslem areas of Indonesia and the Philippines - threatens Malaysia's delicate racial balance of more than 50 per cent ethnic Moslem Malays or Bumiputrus ("sons of the soil") and the rest mainly Chinese or

Opposition claims that the governing United Malays National Organisation (Umno) - has in fact encouraged such immigration in some areas, particularly in Sabah, are



Maxwell warnings 'ignored' for years

MR JOHN MAJOR refused to accept yesterday that the government had ignored repeated warnings from the Investment Management Regulatory Organisation (Imro) about the difficulties of combining trust law with the Financial Services Act in pension fund regulation.

The prime minister reacted angrily when Mr Neil Kinnock, the opposition Labour leader, challenged him as to whether any ministers would resign in the wake of the Maxwell affair.

In noisy scenes in the House of Commons, Mr Kinnock quoted the words of Mr George Nissen, who resigned as chairman of Imro on Monday. Mr. Nissen said the organisation had been telling the government for some years of the problems of pension and trust

Why did the government of the all-party group of MPs take no effective action in campaigning on behalf of the response to these regulatory ment is that the department of body?" Mr Kinnock asked. "When can we expect the gov-ernment to take its share of the responsibility, and when can we expect ministers to fol-low Mr Nissen's example?"

Mr Major replied by citing another part of Mr Nissen's statement, in which he had said that imro freely acknowledged that it was open to a share of reproach for what had

The prime minister went on to accuse Mr Kinneck of "seeking to spread blame where it doesn't exist in a truly dis-

graceful way".
The essence of Mr Kinnock's question reflects the case that has been put to the parliamentary ombudsman by Mr Rich stoners whose ard Page, the Tory co-chairman are wound-up.

ment is that the department of trade and industry failed to act on warnings that the regulatory regime was inadequate.

This is the second time in just over a week that Mr Kinnock has stepped up the pressure on the government over the Maxwell affair by raising it at prime minister's questions. Ms Marjorie Mowiam, Labour's City spokesman, has written to Mr Andrew Large, the chairinvestments Board, calling for the resignation of others on

Imro's board. Mr Peter Lilley, the social security secretary, confirmed yesterday that be had laid reg-ulations to bring into effect greater legal powers for pen-sioners whose pension funds

MPs condemn moves to accept European tax rate

Political Correspondent

A CLEAR indication that the UK is ready to go along with a European Community plan to set a minimum "floor" rate for Value Added Tax (VAT) provoked outrage among Euro-sceptic MPs on both sides of the House of Commons yester-

deal at a meeting of EC finance ministers in Luxembourg on Monday represented the "thin end of the wedge" in handing over fiscal powers to collective Community decision making.

Demanding a government statement, Labour MP Mr Bob Cryer described the concession as "a betrayal of the British people by handing over power to the European Community on an unprecedented scale." Later, he added that Mr Lam-

fundamental shift from that held by Mr Nigel Lawson, the penultimate chancellor of the exchequer, who had always rejected EC interference on

VAT rates. Several Euro-sceptic Tory MPs backed the claim arguing that past precedent showed the "ratchet-effect" of Community decision making meant it Critics claimed the readiness would be almost impossible to claw the power back without making other substantial con-

> Such views were flercely rejected by Downing Street and the Treesury. They said that Mr Lamont had only agreed such a move on the grounds. that the decision would be reviewed in four years time by the Finance Council in a decision that would require unani-

mous agreement.
Acceptance of a minimum 15
per cent VAT limit would have
no impact on the UK and did

not require Britain to forego its zero VAT policy on essential items such as food, childrens ciothes and transport.

instead, it had been agreed as a means to persuade the UK's European Community partners to make concessions on whiskey taxation and was now withdrawn after a failure to reach an accord.

A government official later added that the principle of some EC control over VAT had been established as long ago as 1977 and was a key element in the efforts to create a single EC

little ice with the Euro-sceptics, however, who last night were threatening to raise the question at a dinner for the chancellor to be hosted by the right-wing Conserviatve '92



A small and hitherto unpublished preparatory study of Cézanne's masterpiece Les Grandes Baigneuses, has sold for £792,000 at a Loudon auction of impressionist art. Although bidding started slowly, the sale of 60 paintings and drawings fetched a total of £7.98m "strand two" this week - and

Brighter outlook for Ulster talks after key meeting

UNIONISTS yesterday injected a measure of optimism into allparty talks on Northern Ireland's .future by participating - apparently constructively - in an unprecedented meeting with Irish ministers. The Rev Ian Paisley, hard-

line leader of the Democratic Unionist Party who, in the past, has actually thrown snowballs in anger at an Irish prime minister, met a delega-tion in London that included Mr David Andrews, Irish foreign minister.

Sir Patrick Mayhew, Northern ireland secretary, now faces the difficult job of moving the talks formally from "strand one" - on devolution in the province - to "strand two", when the Irish republic enters substantive negotiations, rather than just "talks about about talks" which is more or less what yesterday's

meeting involved. Mr Andrews left saying the move had to be made, "as quickly as possible". Sir Patrick refused to comment but is expected to chair a plenary seasion of "strand one" in Belfast today which would allow him to consult local Unionist and nationalist party leaders.

it is not clear Unionists will agree - less than a month remains before the talks process is supposed to end.

Yesterday was a "preliminary" meeting that agreed an agenda for "strand three". Technically it involved only the UK and Irish governments, in discussions on relations between the two countries, but local politicians acted as observers. The calling of the meeting allowed Sir Patrick to fudge starting "strand two" and Unionists to press for a renunciation by Ireland of its constitutional claim on Northern Ireland.

A similarly informal meeting of "strand two" took place two weeks ago but was attended by only officials and junior party members. Before then, Union ists had not negotiated with the Irish since 1973, and the most radical Unionists since partition in the 1920s.

The complex talks programme took British ministers several years to agree with politicians in Northern Ireland and the Irish government. It aims to reconcile Unionists insistance that the Irish should have little, or no role, in the affairs of Northern Ireland, with nationalists' concern to set government of the province's in the context of its rela tions with southern Ireland

BCCI creditors demand full public inquiry

LAWYERS representing creditors of the Bank of Credit and Commerce International yesterday called for a full pub-These claims are likely to cut lic inquiry into what happened to the bank's assets and into who was responsible for the fraud which led to the bank's

closure last year. Speaking at the Luxemburg court, Mr James Lingard, of Norton Rose, the UK law firm which advises the creditors' State of the Union, Pages 9-12 committees in London and Editorial Comment, Page 16 Luxemburg, said inquiries

launched so far in the UK and the US were too limited in scope. "What we want to find out is who is responsible and where the money went," he

His call was part of an attempt to persuade the Luxemburg court not to give its blessing to a settlement agreed by BCCI's liquidators and the government of Abu Dhabi, the

bank's majority shareholder. The settlement - likely to be between \$1.2bn and \$1.7bn - has already been approved by courts in the UK and in the Cayman Islands but cannot take effect until the Luxemburg court has also given its

approval.

The president of the court, Mrs Maryse Welter, yesterday surprised lawyers when she asked a number of questions about the settlement and subsequently ordered a continuation of the hearing on Wednes-

day next week. Following the start of the hearing last week, lawyers were hoping that the legal argument would end yesterday and a judgment be delivered within a few weeks. This timetable has now been delayed.

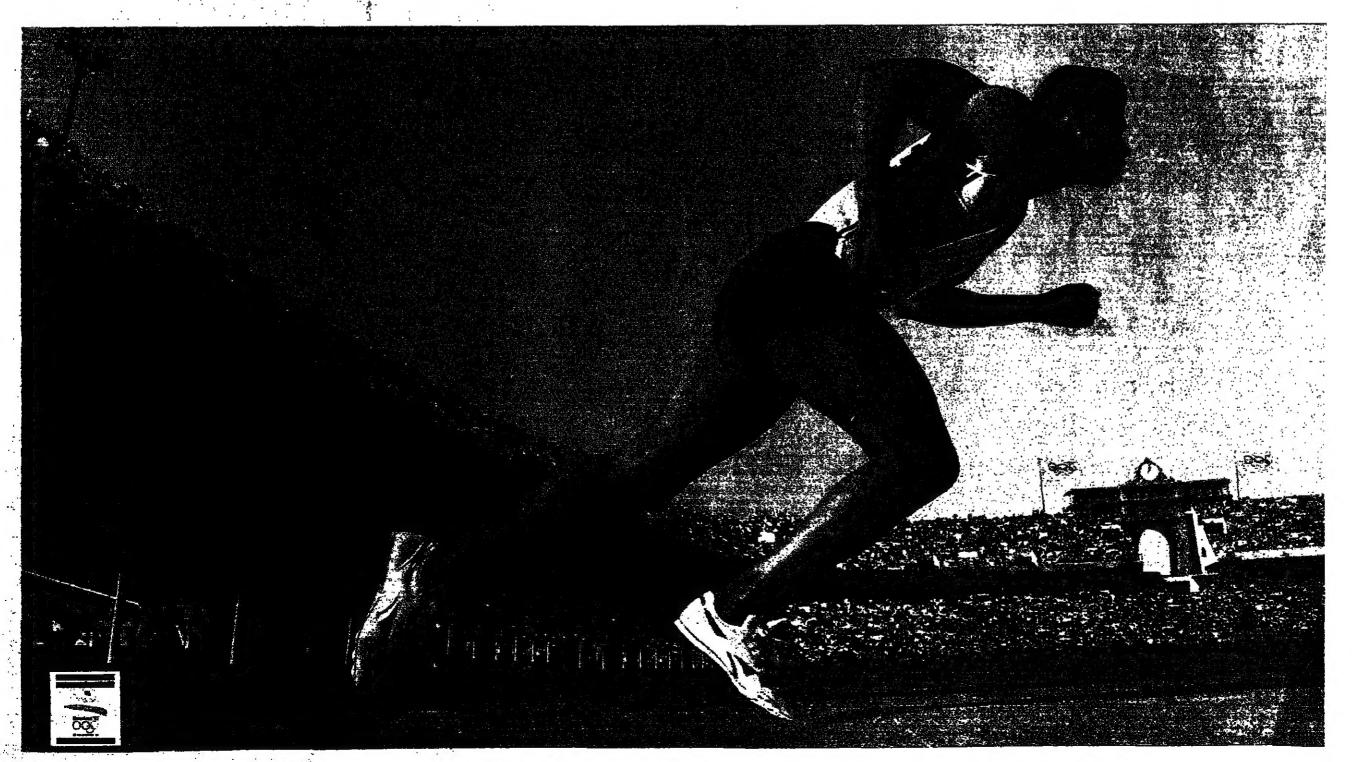
Mrs Welter's central concern was to establish whether the proposed settlement was in the interests of creditors. She also wanted to know the background to the liquidators' decision to co-operate with Abu Dhahi and said she wanted to know more about the documents currently held in Abu Dhabi, which will be turned over to the liquidators only if

the settlement takes effect. The judge was presented with a sheaf of letters from creditors demanding that the settlement did not go through. Lawyers for Abu Dhabi reiter-

it was in the best interests of creditors to go along with it. Touche Ross, liquidators to BCCL said any remaining creditors who had not yet done so should continue to notify the firm of claims against the bank, even though the official deadline was June 30. It said they might still be eligible for

verify claims. Under the existing timetable, 51 per cent of the creditors must approve the liquidation plan by December 30 this year.

a dividend if there was time to



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WITH SOUND, VISION AND LIGHTING AT THE BARCELONA OLYMPIC GAMES



NEWS: UK

Lloyd's agencies consider merger

By Richard Lapper

HAYTER Brockbank and Cassidy Davis, two of the most prominent agencies at Lloyd's of London, are discussing a merger in a move which signals further rationalisation at the troubled insurance market. The deal would bring some

of Lloyd's best known and strongest syndicates under common management and create one of the biggest businesses at Lloyd's.

Hayter Brockbank's syndicate 861 is a market leader in shipping and oil rig insurance while Cassidy Davis syndicate 582 operates in the specialist political risks field, where it covers businessmen against risks such as kidnapping.

Both groups have won repu tations for developing innovative methods. Cassidy Davis recently became the first Lloyd's agency to appoint a marketing director, for example, while earlier this year Hayter announced that it intended to set up a direct motor insurer, selling motor policies via a combination of mass media advertising and telephone sales. Lloyd's announced record losses of £2.06bn last week for the 1989 year, under its three year accounting system.

if the talks are successful, the group could be among the top five in the Lloyd's market, measured by stamp capacity the amount of premium income the syndicates are allowed to underwrite according to Lloyd's rules. Hayter Brockbank currently manages stamp capacity of £245m and Cassidy Davis £90m.

Treasury told faltering output threatens hopes of recovery

Economists fear slowdown

By Peter Marsh, **Economics Staff**

THE TREASURY has been told privately by senior industrial economists that manufacturing output is flagging, in one of the starkest warnings yet that the hoped-for recovery is failing to materialise. The message was delivered

last week at a meeting between Mr Alan Budd, the Treasury's chief economic adviser, and a group of economists assembled by the Treasury.
The gathering provided a

sombre assessment of how veak world growth and high tik interest rates are damaging prospects in the manufacturing sector, which accounts for just over a fifth of UK gross domes-According to the private sec-

By Robert Rice.

Legal Correspondent

LAWYERS acting for a smoker

with a rare circulatory disor-der who is suing Gallaher, the

US cigarette manufacturer,

said vesterday his case could

provide the first test of the duty of care owed by tobacco

companies to smokers in the

Mr Cormac Fitzpatrick, a

Belfast solicitor, said he was confident his firm - Vincent P

Fitzpatrick & Co - could prove

his client's disease was directly

Mr John Dean, 37, of Bally-

walter, suffers from Beurger's

disease, which causes constric-

tion of the arteries. The disease

Mr Dean claims he has been

attributable to smoking.

is incurable

lor of the exchequer, to seek ways to stimulate growth.

Mr Lamont needs a relatively large increase in output this year and next to reduce the growing strains on government finances, which are being

three months.

pushed into large deficits by reduced tax revenues and higher social spending. A further reminder of the

unable to work for seven years

and that his family life has

Benson & Hedges, manufac-

tured by Galiaher, Mr Fitzpa-

the extent of the tobacco indus-

try's knowledge of the harmful

side effects of its products,

when it took action to warn

The case will revolve around

early teens.

caused the disease.

trick said.

been adversely affected. Mr

tor economists, manufacturing growth in the second and third

flat, after a 1 per cent growth

in the three months to March

31 compared with the previous

Amid increasing signs of res-

tiveness by some Tory MPs

about the lagging pace of the expected upturn, the bleak

views expressed at the meeting will increase the pressure on Mr Norman Lamont, chancel-

arters is likely to be at best

weak state of demand came with news yesterday that the savings ratio - personal savings divided by disposable income - rose to 11.5 per cent in the first quarter, its highest level for nearly 10 years. That underlined how consumers appear to be continuing their recent run of preferring saving

to spending.
The Treasury's meeting with the industrial economists from sectors including chemicals, metals and engineering is expected to be the first of a series of such gatherings, repeated three times a year. It part of an effort by Mr Budd to build up stronger links with industrialists, to help in economic forecasting.

In the manufacturing sector, reports about order books and sales patterns should in theory

whether the warnings it gave

of general demand levels. It is intended that the meet-

ings will take place on a regu lar basis - not always with the same private sector economists - and provide objective assessments of industry trends. The plan is that the gatherings should be free from the ple for government assistance to industry that often feature in gatherings involving sury officials and top com-

pany executives.
For the moment, the Treasury is sticking officially to its published forecast in March that growth this year will be 1 per cent. But in the light of last week's meeting - plus other indicators of economic activity - it is in an internal exercise revising this figure

down closer to zero.

US tobacco company faces test case people of those side effects and

Dean began smoking in his "Just because a company complies with the statutory Beurger's disease is thought obligation to warn about the to be caused directly by smoking, Mr Pitzpatrick said. With dangers of smoking does not necessarily mean it has complied with the wider common other smoking related diseases such as heart disease and lung law duty of care owed to concancer it is very hard to prove

were sufficient.

that nothing else could have The court will have to look at what warnings were available to Mr Dean during the Mr Dean also had a strong case because he had only ever period when he was smoking smoked one brand of cigarette, and what advertising and promotion was being pursued by the tobacco companies at the

His lawyers will argue there has been an attempt by the tobacco industry to disarm the statutory warning through advertising which suggests that the warnings are only included on packets and in advertisements because the government insists on them. Mr Mark Mildred a personal

injury and product liability lawyer with London solicitors Pannone Napier said there was no doubt that as public awareness of the risks associated with smoking grew, the harder it became to prove negligence on the part of the tobacco com-

He said to succeed in a damages action against a cigarette manufacturer under English law a plaintiff had to prove negligence by the manufac-

Gallaher said yesterday it could not comment on the case but it would be defending it vigorously.

Britain in brief



Channel 5 at risk as TV-am withdraws bid

THE prospects for Channel 5, vision station, are looking increasingly uncertain follow-ing TV-am's decision to pull out of the contest less than a week before the bids for the new television channel have to

The breakfast television company, which announced enthusiastically in April that it was backing a bid by the Entertainment Channel, decided to pull out after looking at the final business

plan.

Another potential backer of the Entertalnment channel Mr. Courad Black, chairman of the Daily Telegraph is also unlikely to go ahead. The deci-sion means that there may be only one significant bidder a channel which should be able to reach around three quarters of the UK population.

Satellites sold to Norway

British Sky Broadcasting has sold the second of two original BSB Marco Polo satellites to Norwegian Telecom in a deal believed to be worth around

The high power satellites will be used by Tele-TV, a sub-sidiary of Norwegian Telecom to launch a five-channel television service in October or November. The service will be aimed at the main Nordic countries - Norway, Sweden, Denmark and Finland

Shephard plans Eggar faces Tec inquiry

An investigation into why Training and Enterprise Councils (Tecs) are failing to meet the guarantee of training places has been launched by Mrs Gillian Shephard, the employment secretary.

Mrs Shephard is said to have how training provision compares with the government promise that every 16- and 17year-old who was not in work or in education would be guaranteed a place on the Youth Training programme.

Heseltine to restructure DTI Belling sold

A restructuring of the Department of Trade and Industry to sponsor the country's main industrial sectors will be unveiled by Mr Michael Heseltine on Friday.

The president of the board of trade plans to "relaunch" his

lowing the announced abolition of the National Economic

Development Council. Mr Heseltine is expected to emphasise that the government's free-market economic framework allows room for an active government role in promoting and assisting individ-ual industries.

Mr Heseltine, who has been combing through a sector-by-sector analysis of Britain's trade performance, also wants to emphasise his role as industry's sponsor in Europe and in other world markets.



Hair today gone tomorrow

A long-haired computer engineer has been awarded more than £4,000 compensation for unfair dismissal after his employers sacked him refusing to get his hair cut. An industrial tribunal

upheld an appeal by Mr Kevin Lloyd (above) against his dis-missal, but rejected his allega-tion of sexual discrimination, saying it was "too simplistic" to compare the length of men's

and women's hair.
He was dismissed from his £32,000-a-year job with On Line Software of central London, in November last year when it was taken over by Computer Associates, a US company. Lawyers for the company said it had a right to decide what image it presented to the public.

power protest

Mr Tim Eggar, the energy minister, faces a confrontation with Britain's blue chip companies which could pressure him into tightening up electricity

Energy Intensive Users Group urged the minister to back their claims an urgent reduction in their electricity bill, just a day after ICI publicly complained about electricity prices. The companies say their bills have risen by anywhere between 10 and 30 per cent, since electricity privatisa-

which went into receivership at the end of last month, has been sold as a going concern to Southampton-based Dimplex (UK), an electric heating

department as industry's appliances company. Dimplex champion in government following the announced abolideal. but Dimplex said it would employ immediately 130 of the 950 staff at Belling's Enfield site in north London.

NEC to make phones in UK

NEC, the Japanese electronics group, is planning to produce mobile phones for the new pan-European celiular network early next year at its plant in Telford, UK. This next generation of digital phones will be exported throughout Europe.

Miners told to accept sell-off

Miners' leaders have been told by Mr Frank Dobson, Labour's energy spokesman, to accept they would probably lose the battle against privatisation of the mining industry.

Speaking at the National Union of Mineworkers annual conference in Scarborough, Mr Dobson said he now believed "the cards are stacked beavily against keeping coal in the public sector". The NUM should draw up contingency plans to protect the most vulnerable pits and maintain safety standards, he said.

RiverBus wins reprieve

London's RiverBus, the lossmaking Thames passenger ser vice due to close at midnight last night, has won a three month stay of execution.

A consortium of public and private sector bodies, mostly with interests in the Docklands area of east London, has raised £300,000 to keep the service going while efforts are made to secure its long-term future. for closure following the col-

The RiverBus had looked set lapse of Olympia & York's Canary Wharf development in Docklands, which subsidised it.

Industrial units up for sale English Estates, the govern-

ment's commercial property developer, is to seek a buyer for 100 industrial estates industry regulation.

Angry industrialists from the worth a total of between £40

tion two years ago.

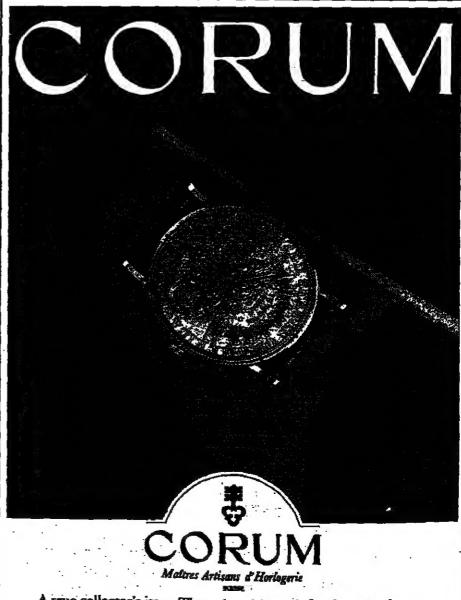
by receivers

Belling, the cooker maker

and £50m. In spite of the reces find one purchaser, probably a property investment company, for the entire portfolio - comprising 1,750 small factories and workshops in Northern England - the largest single package offered to the market.

Rain interrupts Wimbledon

Rain delayed play at the Wimbledon tennis championships by more than three hours. Boris Becker, the former champion, was one of the few seeds to complete a match. He best South African Wayne Ferreira in four sets.



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Japan's best to the world.



SINGLE MARKET New Year's Eve celebrates the single market, but many gaps will need to be filled



DIPLOMACY Hurd faces two very serious problems: salvaging Maastricht, and calming his party at home.



FLAGGING FRONTIERS The FT joins Gerard and his 38-ton lorry to see what life is like on the road to Madrid.



ECONOMIC CONVERGENCE Most countries aspire to monetary union, but with rules so tough,

few may make the grade.

EUROPE: STATE OF THE UNION



With the Danes' rejection of the Maastricht treaty, the EC's future has been thrown into uncertainty. Today Britain takes over as president of the Community. Can John Major

give it new direction? In a special four page pull-out FT

writers assess the prospects

EC states play for high stakes

dency six years ago, the issues of the moment were the Community's internal market, squabbles about money and uncertainties about ratifying a certain treaty.

But if the issues sound vaguely similar, the stakes riding on their outcome are not. 1992 is a world apart from 1986.

Then, the EC was making what the Financial Times described as a "tortoise-like" start to a barrier-flattening exercise which few took seriously. Now, it is in the final legislative stretch towards a single market that has attracted world-wide hopes, fears and investment.

Then, the Community was mired in a year-by-year haggle over farm spending. Now, it is debating a 30 per cent increase, over the 1990s, to a budget aiready double the 1986 level, and arguing about how much of that should go in a further transfer of real resources from richer to

noorer states. Then, a solo court challenge by a litigious Irishman, Mr Raymond Crotty, was threatening to delay ratification of the Single European Act, a treaty whose import few understood or cared about. Now, the governments of 11 EC states have desperately appealed to their the Cold War. But common Eurothe historic step to a European

union they took at Maastricht. Meanwhile, Denmark's government even ponders whether its voters' rejection of Maastricht leaves them any future at all in the EC. Today's uncertainties about the furure shape of the Community are

as great as the stakes are high in the EC leaders finding a degree of unity with which all their peoples feel comfortable. Failure of Maastricht would not be the nightmare Euro-enthusiasts fear, simply because too many people have put so much into the Community for the entire enterprise to be allowed to fall apart

But the Maastricht debate is a turning point in the EC's future. Denmark may have done the whole Community, if not itself, an enormous service by bringing the "sub-sidiarity" Issue to the fore. If the EC can succeed in passing back to national governments; and even better to regional and local authori-

HEN Britain last took trols that have flowed to Brussels candidates in central Europe. over the EC presi over the past 35 years - without But there are also some or over the past 35 years - without ruining the single market - then it may win popular backing not only for Maastricht, but further integra-

tionist moves. Down the road lies another constitutional revision, set in the Maastricht treaty for 1996. Among other things, it is supposed to move the Community towards common European defence. This may not suit countries like Austria, Sweden, Finland, maybe even Switzerland, which should be members by then,

The issues may ring a bell from UK's last time in the chair, but more is riding on them, writes David Buchan

though their neutrality has rapidly lost its relevance with the end of sary then, if the US Congress continues to push for a speedier reduction in American troop strength in Europe than the White

So, by the late 1990s, it might be possible to have a European union, whose members, including new Scandinavian and Alpine ones, feel comfortable in having big decisions (on money and defence) taken at the centre, because more little decisions (on water purity, lawn-mower noise, food additives, and so on) are taken locally.

If Maastricht fails, there is a risk, not of the Rome Treaty-based Com-munity breaking up, but of some of the Twelve deciding to pursue future ambitions separately. The most likely form would be Germany and France making joint monetary and defence arrangements (the lat-ter is already under way), perhaps with a few smaller satellites. This would not be a pleasing prospect for

But there are also some certainties about the EC today which did not exist six years ago. It has become the pivot around which the wider Europe now turns. Indeed, its example may be partly responsible for creating the wider Europe. "The success of this great European experiment [the EC], perhaps more than any other factor, has caused east Europeans to recognise that people as well as nations co-operate more productively when they are free to choose." The tribute was made in 1989 by Mr James Baker, US secretary of state.

Second, the Community's economic impact on the outside world, once confined mainly to its role in Gatt, has grown enormously. This is due to its single market, with the opportunities it bestows on non-Europeans and Europeans alike, and the reciprocal bargaining power

The logic of EC states getting together to regulate air pollution or deregulate air transport inside the Community is that they will end up negotiating with the outside world on these issues together. They did not do so at the Earth Summit in Rio, nor do they do so yet in airline agreements. But they probably will eventually. In addition, the EC has that unique capacity for extending its single market and for peaceful self-aggrandisement that goes under the name of "enlargement".

hird, there are the ambitions for a common foreign policy. So far, this is the most feeble aspect of the Community's impact on the world. Indeed, the most striking or admired acts of foreign policy emanating from Europe - the military contributions of some EC states in the Gulf war or President François Mitterrand's mercy mission to Sarajevo - defy the consensus needed for a truly common EC policy.

But the undramatic fact that the Community's foreign policy is slow to change, as well as slow to act, gives it a predictability particularly valued by its neighbours.

These are some of the reasons why Prime Minister John Major said this week that he was not pre-

exchange rate stability within the ERM. Their view is consistent with

an Emu covering, in descending

order of probability: Germany, Lux-

embourg, the Netherlands, France,

mark would be able to join if it

wished. But Spain and Italy are

deemed outside chances, like Portu-

How do these market expecta-

tions compare with the performance

of countries against the conver-

gence criteria agreed at Maastricht?

At present, only France and Luxem-bourg meet all the criteria pre-

cisely. Meanwhile. Belgium seems

gal and Greece.

Belgium, Ireland and the UK. Den-

British aim to run a tight ship

If there's one thing that the new presidency prides itself on it is the ability to organise a proper meeting, writes David Buchan in Brussels

TAKING OVER the presidency is far more than just becoming the Community's titular panjandrum for six months. For Britain, it will involve a lot of work - chairing an enormous number of discussions at a time when the EC has a crowded international agenda and a civil war to try to settle in Yugoslavia.

The kudos of pirouetting on the world's stage as EC president may mean less to Britain, a permanent member of the United Nations Security Council and of the G7 economic elite, than it does to smaller states. But "governments do themselves a favour with their own citizens in managing a well-run presidency", says a senior member of the Council of Ministers secretariat in Brussels.

And, if there's one thing on which British ministers and civil servants pride themselves, it is being better than most of their continental counterparts at preparing EC meetings, making sure they start (and stop) on time, and ensuring that ministers know what they have (and have not) decided.

Barring mishaps - most likely to come in the process of ratifying the Maastricht treaty - the odds are that the next six months will see a rise in pro-EC opinion in Britain. The natural, geographic feeling that Britons have of being peripheral to the Community will be temporarily allayed by nightly television pic-Brussels meetings of the Twelve, as well as hosting important informal gatherings in London, Kent, Northamptonshire, Cambridge, Perthshire, with a grand finale in December at Edinburgh.

More important will be the fact that the UK government itself will have to temper its own strongly-felt views on the Community. By chairing all ministerial councils, all meetings of EC ambassadors, all sessions of official working groups (at least 10 on any Brussels working day), the presidency might seem to have an enormous opportunity to push its own national policies, Not so. At the end of the day, EC presidencies need to find compromises,

national interest. Germany provided a classic exam-ple of this in 1987-88. Having almost single-handedly wrecked the Danish presidency's attempt to get an EC budget deal in Copenhagen in

Voice of ordinary people

later under his own presidency, at great expense to Germany in terms of increased aid to southern EC states. He thus paid, quite literally, for chalking up a budget deal to his EC presidency.

The same may happen to Britain In recent weeks it appears to have stepped up its opposition to the plan sion president, to increase BC spending by a third over 1993-97, partly in the knowledge that it will have to be more malleable once in the presidency. During the next six months, the UK can still put forward its national viewpoint. This will be done by junior ministers while their seniors take the chair.

More than in the past, recent EC presidencies have been swept along by the broad tide of mega-events. such as the attempt by the western half of Europe to cement itself into a political and monetary union in the face of disintegration in the

The UK presidency will lay out its programme, at this month's European parliament session. Little of its substance may be very British. except its tone. Nor will much of it necessarily come to pass. Such programmes are not like the Queen's Speech, with a parliamentary majority to enact it into law.

A presidency does, however, have a power of procrastination, of putit does not like. The last British presidency in 1986 was criticised by some EC officials for doing little on the budget, except to try to stabilise farm spending. This criticism is a bit unfair, since it was only the following year that the Commission out its 1988-92 financing plan on the table. Nonetheless, it leads one official to hope that "this time we will get a good, conscientious Community presidency rather than a good, conscientious British presidency".

UK presidencies tend to rely less than those of smaller states on the Commission and the Council secretariat for help, even though the second institution is acquiring more diplomats to help run the Maaseven at the expense of their tricht-mandated "common foreign and security policy". But, in international business, a presidency can ask its predecessor and successor to join it in the so-called troiks to represent the Community. Britain's troika partners will be Portugal and December 1987, Chancellor Helmut Denmark (on the assumption it is Kohl secured a deal two months still in the EC next spring).

the excluded - be they Britain, pared to see Britain "sit on the side-italy, new members or potential EC lines" in the Community. ties, some of the powers and con-Hurdles en route to Emu

IF THE Maastricht treaty were ratified, which now seems to depend mainly on French voters, economic and monetary union would appear to be certain. Not later than January 1999 - just six and a half years from now - the Ecu is to become the single currency of an economic and monetary union (Emu) covering some members of the European Community.

Things are not quite that simple. Even before the Danish "no" vote, financial markets did not believe that an Emu embracing all members of the European Community would be established; or, if they did. believed that substantial realignments of some currencies were likely to occur beforehand. The Danish vote, however, has significantly changed the markets' views of the odds only in the cases of Demnark itself. Spain and Italy.

If Greece and Portugal, which are improbable initial participants, are left aside, and Luxembourg is left aside as well, as a virtually certain one, the financial markets currently divide EC members into three groups vis à vis Germany, the country without whose presence Emu is deemed pointless:

• The Netherlands, which has a long-term bond yield differential in relation to German Bunds of threetenths of a percentage point and thus an expected depreciation against the D-Mark of a mere 2 per cent by 1999.

• France, Ireland, Belgium, Denmark and the UK, where long bond yield differentials range from three- Spain's by almost half a point. quarters of a percentage point in

TIMETABLE FOR MONETARY UNION

JANUARY 1 1994. Beginning of the second stage of Emu.

• All controls on exchange and payments are to have been

· At the start of the second stage a European Monetary Institute shall be established."

DECEMBER 31 1996. Last date for the first evaluation of entry into the third stage.
The Council shall decide: • whether "a majority of the Member States fulfil the necessary

conditions for adoption of a single currency"; and "whether it is appropriate for the EC to enter the third stage;" JANUARY 1 1999, Last date for the start of the third stage:

Before July 1 1998, the Council shall "confirm which member states fulfil the necessary conditions for the adoption of a single • Either after the date for the beginning of the third stage has

been set, or after July 1 1998, the European System of Central Banks and the European Central Bank shall be established. "The full exercise of their powers shall start from the first day of the third stage."

the case of France, to 1.1 percentage points in that of the UK. These imply overall depreciations of between 5 and 7 per cent by 1999. Spain and Italy, where yield differentials are 4.1 percentage points and 5.1 percentage points, respectively. These imply expected depre-

ciations of 23 and 28 per cent. Once markets digested the Danish "no", Dutch yield differentials have declined. Those in the second group

have increased rather little, by most in the case of Denmark, which experienced a jump of about threetenths of a percentage point. But Italy's differential has risen by almost four-tenths of a point and

to be much too far away on the Markets expect a high degree of But remember the escape clauses:

can exceed 3 per cent of gross domestic product, provided at the time of evaluation it has declined By lan Davidson in Paris substantially and continuously. reaching a level close to 3 per cent. The ratio of government debt to GDP can exceed 60 per cent, pro-vided it "is sufficiently diminishing" and approaching that level at a

If the criteria are not applied too strictly, the eight countries now most favourably judged by the mar-kets should be able to join. Spain might be able to join too.

It appears then that the convergence criteria, judged against current and expected performance. would allow a move to Emu, even in 1997. What could still go wrong? The Maastricht treaty could fail to be ratified.

• Countries could refuse to do what they are committed to do. with the already known exception of the UK, One reason might be high unemployment, low growth and a desire for large currency realignments. Another might be the German desire to retain the D-Mark. Such recantations, even just realignments, could create a serious crisis. If, as now seems possible, the recantation would be by Germany, the crisis could be terminal.

Yet even the end of the project for an Emu need not end hopes of Europe. Moves towards irrevocably fixed exchange rates without divergence bands would be possible. The financial markets are, in fact, convinced that a high degree of stability is likely. It is up to the governments to prove them right.

• The government fiscal deficit demands to be heard

IN SIX short months, the European Community has come down off its Maastricht high, and is sunk in a slough of self-doubt and inertia. At Maastricht the Twelve negotiated with fanfares the most ambitious programme for European integration since the Rome Treaty 35 years ago. Today, in the wake of the Danish referendum on June 2, they are no longer sure if this treaty can

ever come into force. Uncertainty about the juridical future of a treaty which has been rejected by one of the 12 partners, is obviously the most immediate reason for the gloom, but the change of mood also goes much deeper than that. In a purely procedural sense, the treaty could perhaps be rescued in its present form, if the Danish government were to discover a reasonable pretext for holding a second referendum which reversed the verdict of the first. But no new referendum could wipe out the dramatic impact of the earlier Danish No vote.

In fact it has sent a double message to the governments of the Twelve. The first is that the Maastricht treaty cannot enter into force unless they can secure the support greater monetary integration within of their national electorates. The second is that, even if ratified, the treaty will not become a reality unless the member governments continue to enlist much greater popular national support for its ectives than they have needed to do in the past.

the concept of a "democratic defi-cit", as they do so frequently in their Community conclaves, what they usually mean is that the European parliament should have greater powers. Seldom or never do they admit that it is their own - overwhelmingly for the required

national electorates which are being crucially left out of the game. That is the first lesson of the Danish No vote. The political establishment in Copenhagen shared a broad-based consensus in favour of the treaty: but the people felt differently, and said so.

In its wake, the Danish vote has released a wave of criticism of the treaty, as well as a large measure of outright opposition, in a number of other member states, starting with the three largest.

In Britain it has precipitated the emergence of a significant anti-Maastricht rebellion inside the governing Conservative Party, furiously urged on by Mrs Margaret Thatcher, Mr John Major's predecessor as prime minister. In the last resort. Mr Major may be able to reimpose party discipline, but British officials do not sound overconfident.

In Germany it appears that the Maastricht treaty probably commands a sufficiently large consensus among the political establishment to ensure eventual ratification in parliament. Yet it has become the lever for a significant renegotiation of the power relations between the federal authorities and the Länder, while

When Europe's ministers invoke certain aspects of the treaty. starting with the target of a single currency, are vigorously contested

in the populace at large. In France, a very large propor-tion of the political establishment has indicated its support by voting reform of the constitution. But popular opinion, which will be tested in a referendum in September, is not only more evenly divided but also more volatile.

Opinion surveys have regularly pointed to a majority in favour of Maastricht; but the size of the expected majority has tended to fluctuate quite widely, and is usually matched by a large unknown in the shape of the dop't-knows.

The second lesson of the Danish referendum is a salutary reminder that the Maastricht treaty marks a political watershed in the extension of EC policy areas. If the Community is to make a reality of the planned economic and monetary union, for example, or of the proposed common foreign and security policy, it will need a much greater degree of popular political support than for the low-intensity economic objectives of the past: and it will need this greater support, not just

once, but on a continuing basis. If the Twelve want to save the treaty in any meaningful form, and then make it workable, they will have to give much greater thought to the democratic deficit: not in Strasbourg, but in the capitals. regions, counties, and town halls of the member states.

DURING THE next six months Mr Douglas Hurd will find himself at the centre of two sets of equally delicate political negotiations. Both will test his formidable diplomatic talents. Either or both may prove

As chairman of the Brussels Council of Ministers, the foreign secretary is charged with steering the European Community's efforts to salvage Maastricht from the

wreckage of the Danish referendum. At home he will be in the front line of Mr John Major's campaign to persuade the Tory party that the treaties on monetary and political union are worth rescuing.

In between he will be expected to add substance to the Community's disappointing and often fractious efforts to end the fighting in the former Yugoslavian republics.

If the issue is not settled at next week's Munich summit, any remaining hours will be spent trying to break the deadlock between Brussels and Washington in the Gatt trade talks.

The 62-year-old former profes-sional diplomat is well-suited to the task. Mr Hurd is loathed by a handful of anti-European irreconcilables in his own party who see him as the architect of a "surrender" to Brussels. But he combines the confidence of his prime minister and of the mainstream of his party with the respect of European colleagues.

Sitting in his office in Whitehall, he does not underestimate the uncertainties. He is unsure whether the Danish government can finesse its electorate's "no" vote. The treaty's future must await also a French referendum. In the House of Com-mons the case for Maastricht has to be made all over again.

But Mr Hurd is an optimist. The Danish referendum has changed the game. Britain no longer has to fight to get other EC leaders to negotiate on its chosen agenda. He is reluctant to talk of a turning of the tide: Because tides turn in all directions". But: "There are three things for which we have been arguing for a long time and where the flow of ideas is in our direction".

The three - enlargement, subsidiarity and Community finances - will dominate the presidency. Mr Hurd's task is to lay the groundwork to wrap them into a deal at December's Edinburgh summit.

Despite a setback in Lisbon last weekend on the precise timing of enlargement negotiations with the Efta applicants - Austria, Sweden, Finland, Switzerland and, possibly, ated the change of mood. "A year ago a lot of people were very sceptical of letting in the Effas. let alone going further east. What we saw this last weekend was a consensus that we should let maybe join the treaty of Maastricht."

Just as importantly: "It is agreed that they should be permitted, should be allowed, should be encouraged without reopening all the institutional questions".

His European colleagues insist that formal negotiations cannot start until Maastricht is ratified. But the preparatory work can be done this year. From there: "I think there is no reason that negotiations for this first wave should not be pleted in 1993, with ratification in 1994 and entry in 1995. That has always been our preferred timetable and I think it is realistic." And a wider Community means a more decentralised one.

That takes Mr Hurd on to subsidtarity, the cumbersome word his government hopes to translate into the overriding philosophy behind Community decision-making. Everyone has his own definition.

Mr Hurd prefers to call it "minimum interference" by the Brussels bureaucracy. Its current acceptance now is another case where "the flow of ideas is in our favour". His task is to give substance to the concept, to define the division of responsibilities between Brussels and national and regional governments.

"Now, its not straightforward because there are plenty of places where it is British interests which want the Commission to achieve a level playing field."

But Britain and Germany had nsured the principle was enshrined in Maastricht. At Lisbon, others shared the ambition to make the Community less intrusive: "The Commission volunteered after discussion with us and others not to wait for Maastricht but immediately to set in hand procedures by which future legislation and existing legislation - this was a change I pro-- should be examined

gainst this principle." Anything that tames the Commission will win plaudits among Tory MPs. But Mr Hurd intends to explain also that Brussels is not as omnipotent as some often suppose. The Commission has the monopoly initiative on trade talks and so on: "But what are the big decisions for the Community? The handling of with the former Soviet Union? What

Hurd prepares to fight on two fronts



Douglas Hurd: dominant issues will be enlargement, subsidiarity and EC finances

On these, the pillared structure of

Maastricht leaves the Commission without authority: "These are matters which are now quite clearly... tally. It means that there is not a conveyor belt." It is a structure incidentally that leaves him happy to compliment President François Mitterrand for his spectacular (and uni-lateral) mission to Sarajevo.

Mr Hurd wants improvements to the way that ministers seek to coordinate foreign policy; there is too much "coffee-cup" diplomacy over lunch without officials and detailed papers. That means the "quality" of decisions is not always as high as it governmental and without majority voting - is right.

Nor does Mr Jacques Delors quite live up to the demonology. The Commission president would have liked a federal structure at Maastricht but that is not what happened. Now: "He is a realistic man. He is beginning to realise - though

(Photograph: Ashley Ashwood)

harm has been done." That brought Mr Hurd on to his third strand: financing and, in particular, the scale of the "cohesion" funds needed to help the poorer countries of the south. It was this which provoked the bitterest arguments in Lisbon, with Britain ment to double financial flows

The Presidency Conference:

Partners or Rivals? Europe

and the World After 1992

Foreign ministers

to the southern countries.

Mr Hurd judged this a victory. In the past Britain's partners had the past Britain's partners had tended to make "political decisions" which always resulted in more expenditure. "Now, the political have changed and the political decision is not necessarily one to spend more money." Chancellor Helmut Kohl had been particularly helpful in setting out the limits for his taxpayers. Reconciling the differences payers. Reconciling the differences at Edinburgh would not be at all easy, but Britain was no longer

alone in preaching prudence.

There is, though, a much bigger uncertainty than rows over money. However skilfully Mr Hurd negotiates the obstacles to enlargement, subsidiarity and a financing deal Maastricht can only survive if the Danish people change their minds. Here he becomes cautious. Some weeks ago he provoked a flurry by suggesting that a protocol might be backed on to the treaty to soothe the Danish electorate. But now he declines to second-guess the Copen-

The Danes said in Lisbon that they needed time and it is for them to come forward with ideas and then we can judge whether they can be put into practice." That they have promised to do in September. There can be no question of coercion: "I think they are under pressure from reality....But it would not be right to coerce them and they cannot be excluded. That puts them in a key position. They accept

If Denmark does deliver, can Britain? Tory rebels at present out-number the government's slim parliamentary majority. With the oppostion parties they might prolong debate on ratification indefinitely. Assuming the treaties win approval in the French referendum, the government will bring back the

legislation to Westminster once Denmark has clarified its position. There is a clear hint Mr Major would seek to tame the rebels by making the issue one of confidence in his government: "What the prime minister has done has been to make it clear that this is not a peripheral matter. It is an essential part of government policy." On precise tim-ing though, Mr Hurd is oblique. "We shall have to judge when is the right time." Much care had been taken to explain the position to Britain's pariners.

Edinburgh might yet demonstrate that Britain has at last moved to the Community vanguard. But even for a natural diplomat, the game starts with a lot of worrying "ifs".

Birminghada

Sept 7 Eondon

24 Sept 12-13 ... Hertfordshire?

 $\underline{\mathbb{Z}}_{2,2,2,\ldots,2,n}$

"Lagragi

Search for consensus in foreign policy

BRITISH diplomats may have long lost an empire to run, but every few years they get a superpower, albeit a rather odd one, to manage for six months, Britain has always been the

great enthusiast for foreign policy co-ordination among the Twelve. The reasons are simple. Britain, like France, tends to see EC foreign policy as an extension of its own.

The overriding British interest has been to keep foreign policy co-ordination an infor-mal affair between consenting foreign ministries, as far as ible out of the clutches of possible out of the clutches of EC institutions like the Commission and the parliament.

over the past 20 years within this inter-governmental system, known as European Political Co-operation (EPC), Britain has pushed for maximum coordination. In 1980 it urged extending EPC to security issues. In 1984 it got EPC to list the areas in which diplomats of the Twelve and of the EC based in third countries should pool information. In 1985 Britain championed a tightening of foreign policy co-ordina-tion, an initiative which snowballed into the Single

European Act. There is an irony to some of these initiatives. Britain is suspected by its partners of refusing to put sensitive informaministries of the Twelve. It also has a reputation for not freely pooling information with EC partners in some capitals.

But, in general, Britain is keen to stretch inter-governmental co-operation in foreign policy to the utmost, so as to avoid demands by some of its partners for action through Community machinery. Such demands were largely fended off in the Maastricht treaty, with one exception. Although the treaty's "pillar" on a common EC foreign and security policy is firmly inter-governmental, it provides for the (very communautoire) possibility that implementing mea-

The Foreign Office - from Mr Douglas Hurd, the foreign secretary, on down - firmly believes this to be a nonsense Thus, for example, one should expect no real UK presidency pressure for Greece to be outvoted on the issue of recognising Macedonia.

The Maastricht treaty has led to certain changes which may live on even if the pact fails to be ratified. The EPC co-ordinating unit in Brussels is to be expanded from six to 23, and merged with the Council of Ministers secretariat.

The UK also plans that political directors of the Twelve should start from this Novem-

than in the capital of the presidency country. The idea is that political directors (senior foreign ministry officials from each member country) should have more input into foreign ministers' meetings. Mr Hurd also intends these meetings to be more businesslike. At present, general foreign policy issues tend to be discussed over lunch, with no papers prenared or officials present; con-

fusion often results. Of course, most of the EC's impact on the outside world is still in the arena of the Community's trade and economic business. In so far as the deadlock in the Gatt talks is the

d tion on the Coreu telex net- sures can be decided by major- ber holding their monthly result of the EC's failure to meetings in Brussels, rather translate the price and subsidy cuts in its farm reform speedily into concessions in Gatt, the UK presidency has almost certainly come too late. For, President George Bush has no time for anything from now until polling day in November but to lock electoral horns with Messrs Bill Clinton and Ross Perot. But there will still be plenty else to test British diplomatic skills this autumn - the negotiation of the pan-European energy charter, getting the new Europe accords with central European states off to a good start, and, of course, paving the way for a beginning to entry negotiations for Efts



EMPLOYMENT secretary Gillian Shaphart will use her six months in the chair of the council of ministers to argue for a "minimalist approach to EC employment legisdirectives, writes David Goodhart, Labour

She may also be in a position to further postpone the controversial working time directive, laying down minimum holidays and maximum working hours. An understanding was reached last week on the main points but important technical differ ences remain between Germany and

Mrs Shephard, helped by the Danish retendum, has been good at winning sym: pathy from other countries for striking out-what the UK dislikes in the directive, Her officials say she is closer to the European ometars say size is crosse to the European Christian Democrat tradition than her pre-decessor, Mr Michael Howard. But considering that Britain would still prefer to see the directive fall Mrs

Shephard may be in the odd position of steering this directive on to the statute book possibly then to launch a legal challenge to it at a later date. The UK government hopes and believes

that the high-water mark of interventionist the working time directive - is now past, 👯 The themes to be highlighted by the UK-at various events around Britain include: employment creation, health and safety, removing obstacles to labour mobility, and

training.
The UK's other passion is the implementation of social directives. It can point the finger, having implemented 22 out of 22 Just behind it comes Germany with 21, -1 ireland trails everybody, with 16, but four to Washington.

But the nation's ruling class in Burrope, for others it stokes

Sept 18-20 Gleneagles Sept 28-29 Cambridge Environment ministers Aprioulture ministers *Justice ministers attend opening of Legial Year Sept 30 Oct | London Employment and social affairs Oct 12-13 Chepstory ministers Nov 6-7 Hertfordshire Housing ministers conferences Nov 24-25 Condon Section 1 Condon 1 Con Dec 11-12% Edinburgh

E6/Japan suminit London,
Transport ministers July 16-17 Heritordshire,
Tinance nimisters Sept 4-6 Bath
Gulture colloquium Sept 6-8 London/

UK sees future and it hurts

Eve to maricadulation single market Dec 31

By Philip Stephens, Political Editor

MR JOHN MAJOR'S stated ambition is to keep Britain "af the heart of Europe". The problem is that during 20 turbulent years in the EC it has never ventured more than a few

yards beyond the perimeter; But the engry debates over the Maastricht treaty being played out at Westminster should not be taken as a signal that Britain is about to retreat. again into surly isolationism. Mr Major is serious in his

udgment that a middle-ranking power stranded off the coast of Europe can no longer ... afford to be a reluctant participant in a game whose rules are constantly adjusted on the other side of the Channel

The noise generated by those fer Britain to cut loose from anything more than the "Common Market" is in inverse proportion to their numbers. Led by Mrs Margaret

Thatcher, they are by and large of the generation which harbours personal memories of the second world war. It is a generation which has still to erwise - to Brussels. come to terms with the ecoonce defeated Germany, one which still looks instinctively

welcome the prospect. Mrs Thatcher and her allies know well that the frequent tabloid tirades against Brussels bureaucracy, French farmers and fisherman and German at Westminster who would are economic success strike a fer Britain to cut loose from chord with a sizeable chunk of the electorate. The demonology which surrounds Mr Jacques Delors.

City of London and among cap-

tains of industry - see no

option but to bind Britain's

future to Europe's. As one

minister puts it: "Europe is the

future. It is such a pity it has

The people too have begun to

come to terms with Europe. A

generation which has grown up accustomed to Mediterra-

nean package holidays has

become less certain of the assumption that British is best.

And yet If as a nation

Britain is reconciled to a future

bound to that of its European partners, it is reluctant still to

businessman turned senior

taken us so long to admit it."

Commission president, reflects a deep-seated ambivalence among politicians as well as voters about any transfer of sovereignty - illusory or oth-

And while the decline in the numic and political might of a country's relative prosperity reminds political and business leaders that there is no option ses - at Westminster in the nationalist resentment.

Major's ministers prepare wide ranging agenda



BRITAIN'S chancellor. Mr Norman Lamont. may be a Euro-sceptic at heart. But his firmly based on two elements of the Maastricht treaty, writes Peter Norman, Economics Correspondent.

While Maastricht's main purpose is to lay down the route to European union, the chancellor's EC policy will be based on hose passages which specify that the Community should have an open market economy with free competition" and operate on the principle of "sound public finances".

sharp relief by the failure of the Lisbon summit to make progress on the future shape of the EC's finances. This leaves the British presidency with the difficult task of beginning negotiations again on trying to trim back the so-called Delors II package of Commission proposals calling for a real increase of almost a third in EC revenue between now and 1997.

Mr Lamont has vigorously opposed the Commission's plans in the past but will be working to reach an agreement by December's EC summit in Edinburgh. While the UK presidency may require the chancelfor to be more even handed than he might like in discussions on the future of the EC budget. Sir John Cope, the paymaster general, will feel under no such constraint when batting for Britain against Mr Delors' plans over the next six months.

UK ministers will be putting considerable stress on value for money when negotiating to ensure that the future financial arrange ments of the EC fit in with Britain's idea of budgetary stringency. In other respects, however, the chancellor has already indicated some flexibility on EC affairs.

On Monday, he signalled a willingness to drop the UK's long standing opposition to

the EC setting a minimum value added tax rate as part of a bargain that would include lower excise duties for whisky than those proposed by the Commission in Brussels. Although no final decision was taken, the move may take the contentious VAT issue off the boil for the duration of the presidency, particularly as the latest proposals would allow the UK to retain its zero-rated VAT for products such as food and childrens' cloth-

ng. Mr Lamont will also be pressing his EC colleagues to support the completion of the inets for a liberal EC trade policy. The UK presidency will give him a high-profile opportunity to press for more open EC mar kets for goods from the former comn countries of eastern Europe and the Soviet

The chancellor believes that one of the important duties of a finance minister is to promote supply side reforms that make economies more efficient and sensitive to market signals. If he has his way, such broader issues and their long term impact on the EC will play a significant part in the informal weekend talks among Community finance ministers scheduled for early September in Bath.



IF ANY British minister is polsed for Britain's EC presidency, it should be "the Prez", as staff at the Department of Trade and industry irreverently refer to Mr Michael Heselding, their minister and president of the Board of Trade, writes David Dodwell, World Trade Editor. Mr Heseltine sees three priorities: successful conclusion of the Uruquay

• completion of the Cockfield agenda of 282 harmonisation measures in the European single market by next January 1; progress on "outstanding specific policy initiatives", including issues like the extent of national powers inside the single market, enlargement, and liberalisation.

"If we are going through something as ambitious as the Cockfield agenda, there are inevitably going to be compromises and arrangements that are not as good as you would like, so we are going to want to look very carefully to see where further progress can be made," he says. "We shall revisit many of those compromises in the interests of even more competitive circumstances, or in pursuit of our determination to flatten the bumps in an only partially level playing field."

He sees liberalisation as a constant, evolv ing force essential to Europe's future comtiveness: "I do not mean a well-meaning visity-wastry Eberalism, but a dynamic and radical programme to remove regulation, rkets and give people freedom of action and choice."
In specific terms, he is looking to liberall

sation in the gas and electricity sectors, in telecommunications and in air transport. He talks of "three great economic reali-ties" that will guide "our presidency": The single market itself.

 The overriding importance to UK exporters of markets in the developed world, where "trade does not need special little ground to special pleading exporters to developing countries for soft loans and favourable export insurance premiums. Developing countries need access to industrial markets more than aid. This suggests strong support for the market-opening aims of the Uruguay Round, and new association agreements with eastern European

The first test of his mettle will come sooner than he might like, Britain and Germany have been busy over the past two weeks trying to broker an EC-US compromise on liberalising farm trade that would break the deadlock on the Uruguay Round before next week's Munich summit. The past three EC preside cies have been dedicated to a similar compromise - in vain, it would be a sterling start to the presidency if he could succeed.



COMING hard on the heels of the Earth Summit, the environment will loom large in the UK presidency. Mr John Major has already written to EC heads of government sions taken at Rio, including ratification of the transmiss in control in the standard of the transmiss in control in the standard of the stan proposing deadlines for Impler the treaties to curb greenhouse gases and protect bio-diversity, writes David Lascelle esources Editor.

However, Mr Michael Howard, the UK environment minister, will be pursuing some specific British aims. One is to ensure that EC environmental measures are more evenly implemented throughout the nity. The UK has always compl that while it adheres to EC rules, others quietly ignore them. So it will press for an "inspectorate of inspectorates", a Brussels-watchdog that will chase up national environmental agencies.

The UK also hopes to resolve the longrunning wrangle over the sking of the EC's own environment agency. This has been held up by the borse-trading over the location of other EC institutions. Measures already on the agenda include the completion of the EC's fifth action plan-

on the environment - a kind of check list which parallels Rio's Agenda 21. A directive on disposal of waste is in the works, and further decisions will need to be taken on aiding the clean-up of east Europe. One measure unlikely to make much head-

way during the UK presidency is the plan for

an EC carbon tax. With the departure of Mr. Carlo Ripa of Meana, the environment commissioner, it has lost its chief proponent, and the UK was lokewarm at best. On the other hand, the idea will not go away. It -remains an option for reducing carbon emissions and stimulating energy afficiency, and several EC states are keen on it, if only

Jokers in single market pack

problem for the British govern- to new distortions of the mar-

However joyful the celebrations

on January 1, the project is

riddled with problems

JUST BEFORE midnight on December 31 a match will be put to the first in a chain of bonfires lit to mark the end of the British presidency of the European Community.

Those beacons should also celebrate the achievement of the single European market - one of the British presi-dency's principal aims, and the culmination of seven years' hard work since Lord Cockfield, then EC internal market commissioner, kindled the first Same in June 1985.

But however joyful the celebrations, however vigorous the back-slapping, and however useful the measures which will come into force on January 1, 1993, the project is riddled with actual and potential problems, linked to the completion, implementation and enforcement of the Cockfield pro-

Until June 2, when Denmark voted "no" to the Maastricht treaty, sins of omission looked likely to be the biggest stain on the virtue of the single market. Internal market hardliners argued that even if Lord Cockfield's target of nearly 300 measures was achieved, free movement of goods, persons, services and capital would be hampered by derogations (time limited exceptions), deferrals and the EC's understandable tendency to ignore politically sensitive candidates for har-

But the Danish referendum result has focused the atten-

THE 38-ton lorry swept

through another French vil-

lage riven in two by the N138

highway. Traffic was queueing

shead and Gérard Gibeaux,

the driver, relaxed his grip on

the steering wheel and gave a

"Farmers," he said. The southbound long-distance

lorry drivers had been warned

before leaving Portsmouth for

Le Havre that French farmers

were once more on the war-

Paris. Today it appeared that

some were converging on Le

Mans. A tractor could be seen

moving slowly at the head of

the snake a mile or so up the

road. Just six months from the

advent of the single market

the movement of goods across

borders appears as fraught as

Our load was 154 cases of

office furniture made by Herman Miller, of Bath. The cus-

tomer was the savings bank,

Caja de Madrid. The freight haulage company was Cave

Wood Transport of High

Wycombe and the driver was

French – open borders at least

have arrived in the trucking

business itself. We caught the

final night crossing from

Portsmouth. At Le Hayre

Gérard extended his bottom

lip as only a Frenchman can

and looked depressed. "We

koose much time. Plenty traf-fic," he said in his best broken

We turned out of the traffic

made Bordeaux by nightfall.

queue to by-pass Le Mans and

Trucks crowded into the lorry park just outside the city and

the drivers made a bee-line for

the adjoining hotel and a meal

that puts the British transport

cafe to shame. The drivers

entertain each other with trav-

ellers' tales spiced with Chau-

changed over the centuries.

The lorry driver sees himself

as the verray, partit gentil

knyght bedevilled by police and customs officers. Asked

how the movement of goods had improved in 1992, Nigel

cerian bawdiness.

English.

ever to the lorry drivers.

shrug as he pulled to a halt.

ments on the more pressing which the Commission Britain problem of subsidiarity - the and the other states must try real or imagined "sins of Com-

This concern is easier to nity ensure implementation understand if one recalls that this is the same single market. without encouraging an image which spawned a series of notorious "rows" between Brussels and member states over alleged threats to the British sausage and the prawncocktail-flavoured crisp, the Spanish tilde, German beer and countless other objects of national pride.

Critics of the Commission's supposed over-centralising tendency say such apparent med-dling in the mooks and crannies of Europe's daily life was one reason for the Danes' narrow rejection of Maastricht.

Commission officials are quick to stress that single market legislation is the direct result of the EC leaders' decision to sign the Single European Act in 1986, and that each measure is debated by minis-ters and their officials before it is agreed. What is more, they say, ministers are happy to hide behind "Commission plans" if it shields them from domestic political flak.

But the criticism has struck chord with Mr Jacques Delors, the Commission president. Since the Danish vote he has regularly underlined the fact that January I, 1993 should end the wave of BC single market legislation; and last week he suggested that the principle of subsidiarity could override the objective of a flawless single market.

Uphill all the way in drive

from Portsmouth to Madrid

Richard Donkin takes to the road to climb the EC's paper mountain

Brussels bureaucrats believe it has also contributed to the poor image of the Commission. A committee of experts, chaired by Mr Peter Sutherland, competition commissioner from 1984 to 1988, is examining ways of ensuring the European playing field is properly levelled and stays level after 1992. With an eye to the subsidiarity principle, some form of co-operation between member states is certain to be at the heart of the committee's proposals. That could be combined with an

enhanced role for national

supporter of the single market

and meticulous in its attention

to the detailed impact of har-

monising measures, many

and the other states must try

to solve over the next six

months, How can the Commi-

and enforcement of measures

of the EC as a haven for

nit-picking legislators? And at

what point will member states

settle for an imperfect single

market in the interests of sub-

This is a particularly delicate

ment. Although it is a strong ket. "The problem is that is very varied, quite apart from the problem of which national authority is more efficient. Even those which are equally efficient are efficient in differ-

house for single market con-

European Court of the burden.

But one senior Commission

official points out that such

solutions have several funda-

mental flaws, which could lead

At the same time, the Com-mission would still have a role as watchdog, and national courts' decisions on EC law would still be subject to appeal to the European Court. The burden on the central institutions would be almost as great. As for a "de minimis" rule

establishing once and for all that the Commission would only intervene in large cases of market distortion - that solution might hamper the development of the internal market for

the border?" It was a question

to which no-one had an

Gérard was surprised. At

30pm his documents were

back in his hands. The goods

were not physically examined.

We never saw a customs offi-

cer. They only deal with the

The freight agents and cus-

tums officers have most to lose

from open borders and have

staged strikes in France and

The red-capped Basque

police were out in force

beyond the border but they

were not stopping lorries

today. One driver spoke of a convoy of three British lorries

carrying a consignment of

computers a few weeks ago

whose drivers could not pro-

duce their permits when

stopped by the Basque police.

The supplying company was forced to pay £28,000. The

Basque fines are like tele-phone numbers," he said.

but seem more frequent. "I

had two FFr900 and one

FF1600 fines for tachograph

offences in the same month,"

sald Steve Jones, a British

2.30am. Lorry drivers sleep in

their cabins. There is a pull-

down shelf for co-drivers

behind the front seats that provides a sleeping space not much larger than a coffin. It

was hot in the cabin and

Gérard did not lower the win-

dows. There was too much risk, he said, and he drew his

By mid-morning we were heading for Coslada, the cus-toms clearance park for Mad-

rid in the hope of finding some

freight for the return journey. Coslada is a truckers' grave-

yard. They come, they hand in

refrigerated lorry and walked

into the customs offices. His

peaches were ruined. Would

anyone help him? No one

moved. He swore and left.

Brussels seemed a long way from Coslada.

A British driver parked his

their papers and they wait.

finger from ear to ear.

We reached Madrid at

driver.

In France the fines are lower

enterprises which Brussels manufacturer having difficulty believes are at the heart of exporting to Spain after 1992 future European prosperity. could appeal to an arbitration "I'm a bit reluctant to accept council - a sort of clearing that an obstacle to free trade which puts a small firm out of cerns - or take his complaint business is less important than something which has an to a national court, thus relieving the Commission and impact on a big company,"

says the same Brussels official.

In the meantime, the British presidency has to work towards the symbolic completion of the internal market. Much of it is already there. The final directive giving insurance passport was slotted into place at Monday's meeting of finance ministers, for example, and the essentials of a single market for banks have been agreed. Mutual recognition of qualifications - praised by Mr Delors last week as a prime example of trust between member states - has also been achieved, allowing EC citizens to work in any Community

But apart from the practical difficulties which may arise after January 1, there are still some notable omissions.

Mr Ben Patterson, a British MEP, is preparing a report on the internal market which will be presented to the European parliament in Strasbourg next week. "What's becoming quite clear is that there are a lot of quite tricky tidying-up matters which need to be done." he says. "If you're talking about having a complete single market as Big Ben strikes midnight on December 31, we're not going to have it."

border controls on people by 1993, which could be scuppered by British opposition. In the economic field, however, it is Britain which will have its work cut out persuading member states to liberalise EC road haulage, telecommunications (the UK wants an end to monopolies over ordinary phone calls) and the energy market. All are priorities for the UK, but energy and telecoms are such sensitive

them in his original list of Even getting close to a full house of single market measures during the next six months will require some sleight of hand and a great deal of hard work by Community institutions. Some redundant or unwanted measures may be postponed or dropped altogether. Britain could also find itself cajoling ministers into extra meetings and frog-marching MEPs into special plenary sessions of the parlia-

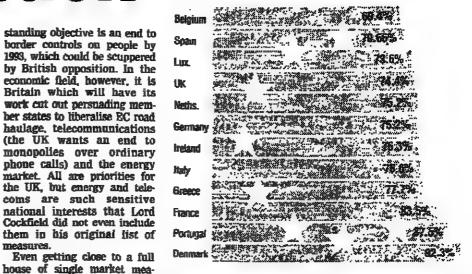
Cockfield did not even include

single market measures, "One thing is sure," says a British official, "we will make sure that by the end of the year we will have got between 90 and 95 per cent [of the original Cockfield measuresl."

ment to clear the backlog of

Whether the outstanding directives are then used to light the New Year's Eve bonfire will presumably depend on how sensitive member states are by that stage about the pernicious influence of Commu-

Single market legislation



Outstanding Issues given priority by UK presidency

Tax treatment for losses of subsidiaries in another

- 🗬 Value added tax (including
- binding directive on VAT rates)
- Excise duties
- Excise structure
- standards, plant protection, EC law on plant breeders)
- Standards on food irradiation

Aoriculture measures (health

- European Company Statute (voluntary harmoni company law)
- EC trade-mark office Legal protection of biotechnological Inventions

Other outstanding issues

Aujesky's Disease (pigs)

- Second revision of the satequard clause concerning the vetennary sector
- Freedom of movement and right of residence for paid workers and their families
- Rules on cross-border mergers
- (10th company law directive)
- Compulsory harmonisation of
- company law (5th directive) Takeover rules (13th directive)
- Rules relating to tax errangements for carry-over
- 12th VAT directive concerning expenditure on which tax is

THE CITY AND THE SINGLE MARKET

INVESTMENT

Portugal's last-minute victory

BRITAIN may well feel it has been robbed of a victory. Shortly before Portugal handed over the presidency of the EC to Britain, European Community finance ministers reached an agreement on the key aspects of the Investment Services Directive (ISD), paving the way for the creation of a Community-wide market in

financial services. The breakthrough on Monday evening - after two years wrangling - has received a institutions. "All that remains to be achieved is some tidying up of the text ... there is every prospect of the Directive going through and its legal adoption will take place under the Brit-

day. The three main points of the ISD which have been clarified are "Transparency", "Concentration" and "Freedom of Access". Transparency – referring to the reporting of information

ish presidency of the EC," said one Community official yester-

about the price and volume of securities traded - was the main stumbling block in the negotiations, but a break-through was achieved on Monday evening with EC members agreeing on the following conditions: • Publication at the beginning

of each day's trading of the weighted average price, highest price, lowest price, and volume traded on the market on the previous day. • The highest and lowest

illiquid stocks.

a disadvantage. However, City institutions

BANKING

which operates in the UK, dealers must be prepared to hold large blocks of shares: revealing sensitive price and volume information to the market immediately could put them at

two-hour period, which would

be published every 20 minutes,

Publication requirements

could also be delayed or

suspended to preserve the ano-

nymity of firms and investors

dealing either in very large

quantities or in particularly

been particularly concerned

about the question of Trans-

parency. With the market-

making or quote-driven system

Many City institutions have

with a delay of one hour.

which have been agreed. Progress was also made on the whereby investors will have the freedom to choose which of the regulated financial markets to use, or whether to go "offmarket" - in other words, to buy or sell securities without going through an exchange.

come to the reporting delays

The final agreement conthe right of EC banks to become members of the stock exchanges in other EC countries. The decision should allow banks which conduct investment business to become members of the stock exchanges in other countries without having to set up subsidiaries in those countries.

INSURANCE

Highly protected Big problems, big market opened up changes, in view

THE European Commission is poised to complete a liberalisa-tion of the insurance market more comprehensive than anyone could have imagined when the single market was first laid

out in 1985. EC finance ministers on Monday agreed the Third Life Assurance Directive which will largely complete the single

The Third Non-Life Insurance Directive was adopted ten days ago. A third plank, the Insurance Accounts Directive was adopted last year.

The legislation, which gov-ernments must implement from 1994 onwards, will open Europe's most protected markets to more competition and represents a victory for advocates of a more liberal market, headed by Sir Leon Brittan, the responsible com-

Under the "single licence", insurers from any member home country rules.

Advocates of greater deregu-lation argue that the single licence should benefit insurers from countries with more liberal rules and encourage a more liberal framework across Europe as a whole.

Other changes include: • Governments cannot demand prior approval of policy conditions or premium rates or require companies to invest in a particular category

This will lead to big changes in Germany and Italy, where private motor insurance is highly regulated. • Under the insurance

accounts directive, which introduces a greater degree of disclosure than hitherto, insurers are obliged to state the value of their assets at both historic and market cost. Companies from countries

such as Germany, which have traditionally only stated the value of their assets at historic cost, are most affected by this.

THE LEGAL framework for a single market in banking was put in place in 1989 with the Second Banking Directive. British bankers long ago

and later a single currency. Since then British bankers have concentrated on the practical problems of making the single market work and ensuring the arrival of Emu.

accepted the idea of the single

market in financial services

Sir John Quinton, chairman of Barclays, the largest UK banking group, speaking in Frankfurt in May warned that banks faced enormous changes in their markets and systems. He said banks should be thinking about a host of practical problems such as changes to their computer systems needed for a single currency, to the minting and distribution of

coins and notes. And he sin-

gled out cross-border payment,

wholesale and retail, as one of

The Second Banking Consoli-

the biggest problems for banks.

dated Supervision Directive was approved in May and should make BCCI-type scandals impossible. One member country may send inspectors to another to check information.

"One still wonders how rigorously the rules will be enforced. How severely will branches of undercapitalised banks in other member states be treated by the Bank of England for example?" one

banker asks in private. Other bankers worry that new rules on credit reference agencies or codes of conducfor credit card companies could mark a step backwards.

By and large however, the banking community bends with the European wind. But one issue where the Commission is eager to press ahead, banks still find it difficult to follow. A cheap cross-border retail payments system. enabling people to send money from one country to another st costs comparable to those of internal money transfers still

Fading fervour for monetary union UK will fight to hold free

ance by agents in Spain, Italy

and Portugal can still take a

full day and at best takes sev-

We approached the Spanish

border town of Irun around

11am and Gérard, one of Cave

Wood's most experienced drivers, was worried. "We might

be waiting until six-o-clock

Drivers who come to Iran

discuss one of the most taxing

questions. "If the customs con-

trols are going to disappear as we are told," said Nigel Hain-

sworth, "why are the Spanish

building another big lorry

eral hours.

tonight," he said.

plenty of advantages from the single market. But plans for a single currency have been dealt a setback by post-Maastricht squabbling, according to foreign exchange practitioners at some of Europe's largest

companies. The Commission has long viewed a single currency operated by a European central bank as essential to a unified market. And the idea of irrevo-

a modest profit source. More important, European

Mr Heinrich Weiss, president of the Federation of German Industry (BDI), caused a stir-last week by calling into doubt the Emu timetable.

only worth carrying out "if it see only limited advantages in does not undermine currency

at present, was not assured. some small advantages. But it is not necessary for the perfor-

mance of the single market." and could be inflationary.

The politicians have been pushing plans for Emu based on "unsound" analyses of its benefits for business, Mr Reisch says. He says larger companies can benefit from a forming a smaller union by degree of exposure to currency 2000, and others joining later.

fluctuations. Mr Reisch says that only "foolish" corporate underlying motives for the treasurers would take action through "hedging" to cover 100 per cent of their EC currency OMDORMIS.

A more optimistic line on Emu comes from Mr Jean-Dom-

Emu will take place. But he believes that monetary union is now more likely to come about in several stages, with two or three countries - led by Germany and France -

treasury operations at Cadbury Schweppes, the UK food and drinks group, also believes a until after 2000.

drawn up at Maastricht.

market line on industry By Andrew Hill

president of the UK Board of Trade, and Mr Martin Bangemann, the EC industry com-

agreements between us and the UK," said a Brussels industry official, "But when it comes to political discussion and rhetoric we tend to be far apart and that makes things much

that the Commission should plete with plans to enhance to fight his corner.

promote a generally applicable WHEN Mr Michael Heseltine, funding for research and training - rather than sectoral measures aimed at, say, the motor or electronics industry.

> But over the next six months the fight between free-market and interventionist governments is likely to intensify. The main battlefields will be the Commission's budget plans for 1993-97 and Brussels' centralised competition powers.

Mr Jacques Delors, the Commission president, would like his budget package to be approved as written - com-

industrial competitiveness "horizontal" policy - such as through improved research and training programmes. Community liberals worry that such plans could be hijacked by ailing industrial sectors Britain would clearly like the But faced with opposition to Commission to hold that line. the whole budget. Mr Delors has hinted that research and training funds may have to be scaled back to ensure more aid for the EC's poorer regions.

Meanwhile, the Commission is under pressure from some countries, notably France, to hand some of its competition powers back to national authorities. The UK will be counting on Sir Leon Brittan the commissioner responsible.

already have sophisticated By David Marsh

erian bawdiness. be the disappearance of docu-Only the names have ments such as the T2 which

EUROPE'S industrialists see

cably fixed exchange rates appeals particularly to small and medium businesses without the resources to manage large currency fluctuations. But many large companies

mechanisms for dealing with currency changes. Some. indeed, use currency trading as

said: "It hasn't changed one

bit. No one has yet come up with a solution to the VAT

problem. As long as every

country has different rates we

are going to have pay duty and

that will mean paperwork." The main difference for driv-

ers after next January should

needs to be stamped by cus-toms. And VAT will be dealt

with by deferred accounting.

countries the customs clear-

ances are now being carried

out increasingly at the point of

Hainsworth, a British driver, delivery. But customs clear- park and customs offices on

In the northern European

businessmen know that Emu will not come about unless Germany - the strongest economy in the EC - wants to see the project completed. And there is little doubt about the cooling of desire for monetary union among German public opinion in recent months.

He said monetary union was monetary union because they stability" - a condition which

He also cast doubt on the *Currency union will bring

Mr Rutbert Reisch, group treasurer at the Volkswagen car company, illustrates the fall in German support for Emu. Mr Reisch, who terms himself "very sceptical" about chances for Emu's realisation, says the project is "unrealistic"

inique Senard, treasurer at Saint Gobain, the French glass and engineering group. Saint Gobain has pioneered use of the European currency unit (Ecu) in its company accounts and internal transactions. Mr Senard is certain that

currency union will be delayed Emu attempts to deal with the problem of exchange rate fluctuations - even though "this is one of the few things

that industry knows how to cope with", Mr Grout says. He suggests that politicians might be exaggerating the importance of damoening exchange rate changes, which have remained relatively stable in Europe during the last five years. instead, more attention could be focused on the fluctuations in economic performance caused by the strict economic convergence conditions

missioner, met last weekend to discuss Community industry policy they may have found they were closer philosophically than they expected to be. There aren't significant dis-

more difficult." The official Brussels line is

UK squares up for fight over finance

By David Gardner in Brussels

THOSE who recall Mrs Margaret Thatcher's table thumping tactics over the EC budget in the early 1980s will be in no doubt that, when the Community falls out about money, nothing much else gets

That is the prospect facing the UK presidency. After the 12 failed at last week's Lisbon summit to agree a compromise budget to succeed the 1988-92 finance package, the British presidency will be dominated by the need to bring in a deal at the Edinburgh summit in December.

On top of this, of course, will be the presidency's duty to create a climate conducive to the ratification of the Maastricht treaty. But

public attitudes in countries from

Germany to Spain.

A veteran German negotiator of EC finance packages said even before the Danish referendum he had never seen such an uproar in the press on the financing. "For the first time politicians are going to have to take public opinion into account this is new in European

The "Delors II" package presented by the European Commission to the Twelve is not just a budget, but the financial framework within which Brussels thinks the political and economic integration agreed at Maastricht will work.
The 1988 "Delors I" package,

agreed in more prosperous times. sets the precedent. It started a to advance further in four years than in nearly four decades towards the Single Market, and to the Maastricht treaty.

To consolidate this, the Commission wants an increase of nearly a third in EC revenues, from Ecu66.6bn (247bn) this year to Ecua7.5bn in 1997 at today's prices. Half the increase would go towards cohesion" or fiscal transfers to help poorer states catch up, at a time when the stringent financial targets for monetary union are forcing them to tighten public spending.

The rest of the rise would underpin the common foreign and security policy agreed at Maastricht; finance the reform of the Common Agricultural Policy (CAP) agreed in May: and boost

spending on research and training to sharpen European industrial

All members want CAP reform. and firmer prices in commodity markets mean it can probably now be financed without increasing the farm budget ceilings fixed by Delors I Joint spending on foreign aid and policy, equally, is uniformly regarded as good value for money which would have to be spent anyway. These two items were anyway. These two items were informally ticked off at Lisbon.

But amounts for "cohesion" are nowhere near being agreed. The Commission wants to double the funding available to Spain, Portneal, Ireland and Greece, Only a promise at Maastricht to boost funding significantly persuaded Spain to sign the treaty.

of the cobesion states, supported by the Commission and with some sympathy from France. But the two main net contributors to the budget, Germany and the UK, do not accept this means a doubling of

They argue that there is no short-term need to raise the EC revenue ceiling, from 1.2 per cent of combined gross national product now, to 1.37 per cent in 1997, as Brussels proposes. This is because the current budget is well under the ceiling, and economic growth over the next five years will increase

The UK says the Commission can get three-fifths or more of what it nts with no change, and through

Redeeming this pledge is part of savings on farm spending. British wants the British budget rebate the bill for Maastricht, in the view ministers also point to the won by Mrs Thatcher in 1984 significant net contributions from early entry into the EC of rich Nordic and Alpine countries. German officials say the Delors

package means an increase to Ecu105.5bn in 1997, based on Commission assumptions of 25 per cent economic growth and 4.5 per cent inflation a year. With these same assumptions, but no increase in the revenue celling, "you get to Ecu92.4bn anyway, a gap of only Reu13.1bn," an official in Bonn The British presidency will be handicapped in handling the budget as a presidency cannot openly steer

negotiations in favour of its own

cumulatively worth £12.5bn - to be reduced. The UK, otherwise allied with Bonn against the size of cohesion funding, says the rebate is not to be touched.

In the end Chancellor Helmui Kohl is likely to compromise with Prime Minister Felipe Gonzalez of Spain, probably resulting in a significant increase in aid. But these increases will put great fiscal strain on countries like Italy and Belgium, which will have to contribute much more than they do

Nevertheless British officials are confident they can square the money circle by "five minutes to midnight on the last day of the

Doubts and delays in the queue to join

COUNTRIES hoping to join the European Community remain confident their applications will not be disrupted by the imbroglio caused by the Dan-

Austria, Finland, Sweden and Switzerland have already applied for membership. Norway is expected to apply by the end of the year.

The decision to delay official negotiations until after ratification of the Maastricht treaty will not stop preparations for entry taking place under the British presidency. Britain will press for better economic treatment of Malta, Cyprus and Turkey to sugar the pill of tem-porary rejection of their appli-

Clearly, further delays to Maastricht ratification would have great potential to hold up enlargement talks. Additionally, there is unease that scepticism about the EC in countries such as Germany will spread among the electorates of the Nordic and Alpine coun-

These countries see full membership as a natural progression from the greater economic links they are due to forge under the European Economic Area free trade zone between the EC and the European Free Trade Association due to start on January 1.

would all bring political stabil-ity to the EC "club". Their per capita gross national products are all equal or superior to that of united Germany. Most can even calculate their net balances in the EC budget; Austria. Sweden and Finland together will pay Ecu3bn (£2.1bn) more to Brussels than they get back.

Despite these prospective members' wealth, negotiating exclusions from EC rules in areas such as agriculture will in some cases pose problems. Difficulties are likely in adjusting countries' laws not simply to the demands of the Treaty of Rome but also to the Treaty of Maastricht, "If it weren't for Maastricht, things would be a lot more simple," says - with understatement – a pro-EC Swiss diplomat.

In particular, most Efta applicants will have to adapt traditional policies of neutrallty to the need to participate in a common EC foreign and

The Swiss, throwing off their traditional aversion to greater consensus on EC entry -

European openness, seem less fearful about the consequences of EC membership than other Efta countries.

The Swiss government has recently been dropping hints as have the Swedes - of willingness to participate in some form of common European defence policy.

A Swiss poll in May indicated that 61 per cent favoured joining the EC while only 27 per cent were opposed and 12 per cent undecided.

The Danish "no" vote may even have been a blessing in disguise for pro-BC forces in Switzerland. The EC has responded to the Danish vote with an attempt to intensify "subsidiarity", heartening the many Swiss advocates of a

decentralised community. Not only the Swiss but all

'If it weren't for Maastricht. things would be a lot more simple'

the other Efta countries will have to submit their EC applidums. The question is whether a time of slower economic growth across Europe makes voters more or less ready to accept change.
Worries about the effects of

EC membership are apparent in most applicant countries. Since the Danish vote public opinion has been moving against the EC in the Nordic region. The "no" campaigners claim the EC will undermine their countries' democracies, weaken their generous welfare systems, and - in the case of Sweden and Finland - draw them into a western military

Across the Efta area, there are strong signs that the enthusiasm for EC membership among the political partles and business élite is not fully shared by the people. In Norway, where scepticism is particularly strong, the latest opinion poll showed that 53 per cent of respondents were against EC membership, and only 33 per cent were in

forged last year - is still hold

But Swedish opinion seems to be growing in favour of an early referendum on EC entry. Surveys show misgivings coming to the surface. Only a few months ago, polls indicated that more than 60 per cent of Swedes backed membership. But a recent survey found that only 31 per cent supported Swedish entry, 36 per cent said they were definitely or proba-bly against the idea, and 33 per cent were undecided.

EC doubts are also notice able in Austria. The country's main parties and business groups, which - like those in Sweden - hope to join in 1995, see Austria as a de facto EC member in the economic field. Political leaders are increasingly willing to modify or even

dump the policy of neutrality. Chancellor Franz Vranitzky has repeatedly stated his government's support for Maastricht, including the common foreign and security policy. However, surveys show 80 per cent of the population would rather forgo EC membership than abandon neutrality.

Even though Austrian supporters of Community member ship outweigh the Euro-sceptics, the margin is narrowing. In May, the ratio was 51-to-41.

Austrians seem suspicious of of further dominance of German businesses. They want to preserve the country's strict environmental and consumerprotection laws.

While the two largest Austrian parties are clearly pro-EC, the leftist Greens have only recently abandoned their strict anti-Community stance for a somewhat more flexible position. Mr Jörg Haider of the right-wing Freedom party was previously one of the most ardent supporters of BC membership. But he has become critical since the Danish referendum, and observers expect him to campaign against the EC if he feels the popular mood

is moving that way. Efta governments will be doing their best to dampen the potential of populists like Mr Haider. But uncertainty about the future of the EC may allow such figures - and the negative message they carry -

Contributors: Eric Frey, David Marsh, Ian Rodger, Robert Tay-

Inflation rates converge...



 Gustomi unlan Free trade in good services, capital and labour from Jan 1 1993 Meastricht treaty monetary union ● Schengen agreement on free travel

Arma (EC & Efta) Free trade in goods, services, capital and labour target date Jan 1993 but formalities simplified. • No customs union or. common tax policy

Excludes fisheries and acriculture Efta states to adopt EC

EC Association Turkey (1963) Malta (1970) Cyprus (1987) Andorra (1991) San Marino (1992)

 Free accurse to EC for most industrial goods and built reductions for most Poland, Czechoslovakia 8 Hungary (Visegrad

 Full trade liberalisation by Laws and rules modelled

Moves toward free flow of

workers, services and capital

U3\$16 bn O US\$3-5 bn

Proportional representation of European ODP: 1988

Britain digs in its heels on border checks

By Andrew Hill in Brussels

THE REAL trouble for the British government may start the day after its EC presidency

On January 1, 1983, it is a fair bet that some publicity-seeking federalists possibly led by a posse of continental European MEPs will try to enter the country

without passports.

If they are stopped at mmigration, that could mark the beginning of a long and potentially embarrassing legal challenge to Britain's refusal to lift border-checks on people just two weeks after an Edinburgh summit at which Mr John Major is certain to proclaim the Europeen market open for business.

Britain's position is simple. It says the 1986 Single. European Act does not oblige the UK to lift its border controls on non-EC citizens. Consequently, it must maintain at least enough checks to ensure that unwanted non-Community travellers do not alip through the EC passport lane at sea.

The European Commission requires an end to all controls from next January 1, and believes the European Court would uphold that opinion.

To the great irritation of the Commission, that difference of opinion has been easily finessed by politicians and journalists into a simmering row between Brussels and Britain; spiced with the emotive issues of compulsory identity cards (essential if controls are dropped, the sceptics claim) and illegal immigration.
In fact, the position is more

subtie. Broadly speaking, all continental members except Denmark - the members and associate members of the 1990 Schengen free travel zone back the Commission's legal interpretation. But most are worried it will be impractical and imprudent to lift border controls at the beginning of the year unless certain compensating measures" are introduced_

They would include a database linking customs, tax

convention on asylum (signed but not yet ratified by all member states), and a convention aimed at strengthening external frontiers. This last measure would be the easiest way of encouraging national immigration authorities to trust one another, but signing has been held up for more than a year by the Anglo Spanish dispute over Gibraltar.

Denmark and Ireland are in a slightly different situation. Denmark disputes the Commission's interpretation and intends to maintain controls, but it might eventually be persuaded to drop them if sufficient safeguards were brought in Ireland is worried that if it joins the Schengen bloc, Britain will reinstate pessport checks for Irish travellers, 70 per cent of whom pass through the UK.

In May, when the Commission published its hardline interpretation of the Single European Act, it looked as though the dispute was bound to end in tears. But since then, the Danes have voted … down … Maastricht - partly, it is said, because of worries shout onen borders - and the atmosphere has

changed. Three weeks ago in Lisbon Mr Kenneth Clarke, the British home secretary, told fellow interior ministers they should not underestimate the all-party opposition to lifting border controls in the UK. With ratification of Maastricht uppermost in -governments minds, that warning seems to have had an impact, and a full-scale confrontation now

MS 182

seems unlikely. More likely postponement of the January 1 deadline - the Commission prefers to say that "the clock will be stopped" - while concerted efforts are made to bring in the compensating

It is at that point that the boatload of passport-less federalists comes in. But short of instructing immigration officers to wave through any litigious MEPs on New Year's Day. British officials admit there is not much they can do

Contradictory criteria for membership of Club Emu

By Edward Balls

THE SACRIFICES come now, the rewards later: only a select band of "converged" countries will be allowed to join Europe's it occurs later this decade. But the convergence criteria for Emu are proving painfully tough to meet. Most countries aspire to join, but few currently make the grade.

The Maastricht treaty has set a high standard of economic rectitude against which the performance of EC member states is now being judged. The convergence criteria impose limits on acceptable inflation rates, long-term interest rates, general government budget deficits and the stock of outstanding public debt.

At first sight, the recent record of inflation convergence looks promising. Progress towards nominal convergence within Europe is illustrated on the left-hand chart. It shows Europe's progress since 1988. when this latest and most serious attempt to establish a single European currency was born at that year's EC summit in Hanover. Only those countries which pass both inflation tests are located in the shaded

The number of qualifiers has increased from three to five since 1988. The UK and Denmark have shown the most

CONVERGENCE CRITERIA

• INFLATION: a consu price inflation rate within 1% points of the average of the

• INTEREST RATES: a long term interest rate within 2 points of the average rate of these same three countries:

DEBT: no "excessive deficit", defined as a general govern ment budget deficit greater than 3 per cent of gross domestic product or a ratio of gross pubfic debt to GDP greater than 60 per cent - unless this debt

ODEVALUATIONS: no devalua tion within the ERM in the two years before joining the monetary union.

impressive shift from high to relatively low inflation; but Italy, Spain and Portugal have made no progress towards inflation convergence. The three missing countries, for whom no long bond rates are available, currently have inflation rate differentials of 0.8 per cent (Luxembourg), 5.8 per cent (Portugal) and 15.4 per

June 1988 Lowest inflation countries, 1985 2% Long bond yield differential giver as

The discipline of the European exchange rate mechanism is part of the reason for this inflation convergence. Germany, the anchor country within the ERM, was understandably unwilling to relinquish the D-Mark unless Germany's single currency partners had first proved their commitment to low and stable

Yet Europe's success is not all it seems. The average inflation rate of the three lowest countries has moressed from I per cent in 1968 to 2.7 per cent today. Convergence has been as much about rising inflation. in the low inflation countries as falling inflation elsewhere. The most significant deteriors tion has been the sharp rise in

▲ 1992, OECD est. 120%

... but fiscal deficits grow

While Europe's record on aflation convergence is good, if relative to an upwardly mobile target, the fiscal policy performance has been almost universally had. The fiscal rules set absolute limits for permissible deficits and debt ratios; but most EC member countries have been moving away from this target range, as

right-hand chart

Five EC member states would have passed both fiscal rules in 1988, with Spain not far away. That number has now fallen to just two - Luxembourg and France. Even these two countries have seen their fiscal deficits increase, although not as dramatically

Germany, previously the most committed advocate of fiscal rectitude and critic of Italian profligacy, now falls to pass the denoit wet.
Only Ireland has bucked the

trend and moved decisively towards fiscal sobriety, although it still has some distance to travel. Of the other high debt countries. Italy and Greece have staggered in the Why has this general fiscal

deterioration occurred? The economic strains that German unification has imposed on the European economy is part of the answer. Germany's rising fiscal deficit has forced up real interest rates across Europe; while the accompanying inflationary pressures in Germany have set a painfully high floorfor short-term interest rates across the RRM

The inevitable result of this prolonged period of tight monetary policy and high real interest rates has been slow or no economic growth across Europe. As usual when growth: is slow and unemployment rising, governments have spent more and collected fewer taxes: hence the growing fiscal defi-

cits. Yet German unification is not a good enough excuse. It may have made the fiscal targets harder to meet, but it has made inflation convergence less demanding, if only for the

time being. The Bundesbank has proved its determination to reduce German inflation to its previous levels; and even after this long period of slow growth, most European coun-tries, including the UK and ireland and France, still do not meet the 1968 inflation criteria. Without German unification, they would have needed at least as tight a monetary policy as they have currently

Reducing inflation to very low levels is costly and implies rising budget deficits unless the government is also prepared to cut public spending. The suspicion remains that, for many countries, the pursuit of low inflation may be inconsistent with meeting the fiscal rules set out in the treaty, unless the fiscal rules are fudged. The fiscal convergence criteria may eventually be interpreted as aspirations rather than pre-conditions, or refer to cyclically-adjusted rather than actual budget defi-

Yet no country, especially the fiscally profligate, can rely on a lenient hearing from their fellow members. If all four criteria are strictly applied, only France and Luxembourg now quality to join Club Emu. Even Germany fails two of the four conditions - although Emu club worth joining.

MANAGEMENT

Andrew Jack looks at a new trend towards hiving off specialist work functions to outsiders

Cutting HQ down to size

t a tense meeting in Cleveisnd. Ohio next week, four consulting firms will puttheir case for taking over . an important headquarters function . of BP: the preparation and submission of all state and federal tax returns for the group's US

The contract - which should be awarded by the end of this month - will be the latest in a series of such moves by the hard-pressed oil company in recent months. On both side of the Atlantic, these are contributing heavily to BP's ability to cut sharply and repeatedly the size of its various head offices - divisional, regional, and corporate.

The contract also represents part of a new trend throughout industry of handing to outside contractors the operation of functions that are not part of a company's core business. The idea of "contracting out", or facilities management, is not new. Catering, cleaning, transport, internal mail and security have long been managed externally. One recent estimate put the size of the existing UK market at £4bn a year, dominated by giant business services companies such as BET.

But in the last few years, a new type of function has begun to be awarded to a new breed of outside contractors, which is often labelled outsourcing". It involves a different kind of contract, covering much higher-level headquarters functions such as computing and accounting services. It rests on the doctrine

propounded by consultants and business school academics in the last few years that companies should concentrate on their "core competencies", while leaving other functions to specialist contractors.

David Andrews, head of financial markets at Andersen Consulting in London, draws a clear distinction between two types of contracting out. The first - the old-fashioned facilities management function - is at what he calls the commodity-end of the business. "The tasks are simple, well defined, and choice is based on price," he says.

The second, on which Andersen

Consulting is concentrating, has emerged during the last five years. It involves, says Andrews, contracts based less on price than a range of more intangible benefits, with a strong continuing relationship between the client and contractor.

Andrews stresses that some functions - particularly policy and deci-sion-making - will always remain with senior internal management. But many others can be hived off. He says the litmus test is that management remains in control of the product or service it is delivering to customers, and not whether it contrais the resources which contribute to that end-product.

Peter Falconer, an associate director of Hoskyns Group, a consultancy which specialises in information technology work, is rather more sceptical about the labels being attached to the trend.

complicated by marketing people," he says. He classifies contractingout as the day-to-day management of service functions by an independent company, while facilities management encapsulates a wider range of projects to bring about change for a client. He says that outsourcing is merely an American phrase for contracting-out.

Whatever the concept is called, there is no question that there is growing demand for more sophisticated, higher-level functions to be handed to outside contractors, albeit with a close level of supervision. "Two years ago it was difficult to find a financial organisation willing to even contemplate outsourcing its services," says Falconer. "Today they are the most active."

The attractions can often mclude substantial cost savings. But they also include the benefits of economies of scale, as well as intangibles such as the expertise that a specialist contractor can bring, and the ability to release management time for more important issues.

In April, the International Stock Exchange in London appointed Andersen Consulting on a five-year contract, believed to be worth more than £60m. It has taken over operation of the computer systems, and brought 305 staff onto its own payroll. A further 30 were made redundant. Over five years, it expects to

the exchange, says management recognised that its systems were becoming elderly and increasingly difficult and costly to maintain. "We knew we had to do something and to do something quite fast."

Barker says that outsourcing has enabled the exchange to focus on its core purpose, which is running and regulating the market. Andersen has brought in the skills to bring about change in the operations needed to achieve that end.

While most outsourcing has been focused on the operations and management of information technology, it is also now spreading into other dquarters' functions. Last June, BP Exploration (Europe), now based in Glasgow but scheduled to move to Aberdeen, announced that its accounting services would be handed to Andersen Consulting on an initial four-year contract.

Since then, 300 people have been transferred to a special Andersen centre in Aberdeen. A further 60 were offered severance payments. and now some new employees have been recruited. Colin Goodall, chief of staff and general manager for business support, will only say that the savings negotiated will be more than 20 per cent in the department, which had a budget of 213m before the contract began.

He says the oil industry has had a long tradition of contracting out services. But the need to reduce costs even in headquarters has been reduce its IT costs by 40 per cent.

It iggered recently by the stable lot of time needs to be price of crude oil, and disappointing to win over the staff." triggered recently by the stable

Food for thought on the vexed question of sugar

Dr Michael McGannon says an inadequate diet can hamper your ability to take decisions

corporate results. "Outsourcing is part of our drive to reduce costs and improve efficiencies," he says.

"Many of the savings not were not immediately apparent," he says. "We are increasingly recognising intangible benefits that we could not quantify. We are adding value as well as reducing cost."

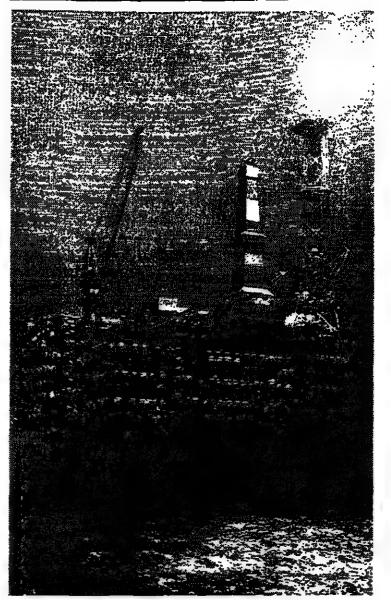
In London, BP's corporate headquarters has also begun to apply more of the lessons of outsourcing. Two years ago, most of its IT work was contracted out.

Its corporate tax work has just been contracted to Price Waterhouse, which will assume responsibility for 19 of its existing 22 staff in July. BP continues to make important decisions on the tax returns once they are prepared. Aside from the preparation of fed-

eral and state taxes for its US operations. BP is also considering outsourcing its petroleum revenue tax work in the UK, and some personal tax work for its expatriate

Peter Hobbs, head of tax, says one of the main difficulties about introducing outsourcing was persuading his own management that it would not be compromised by allowing sensitive material to be handled by those outside the organisation.

He says that the issues of confidentiality and staff sensitivity were among the most festing during the initial negotiations. "Outsourcing is not a popular thing at any level. A lot of time needs to be spent trying



BP Exploration increasingly plans to concentrate on its core business



The human brain is acutely sensitive to all salistances that pass through it. The quality of the food you eat will be reflected in the working of your brain. If HEALTH CHECK it is to function well, the brain

needs a regular supply of nutrients and vitamins. A diet which is inadequate can hamper your ability to make critical decisions and colour your judgment about people around you.

After eating some foods you feel energetic and lucid, and life seems good. On other days, you seem to be dragging your body and mind around with you. Is it-the menopanse? Or have the electromagnetic fields gone awry?

The chances are you have eaten

inferior food and your brain is

letting you know.
There are blochemical explanations for this "food-to-mood" phenomenon: indeed scientific findings increasingly support a link between full blown psychiatric disorders and inadequate food.

However most people do not know how to feed their brain. When asked to name the most common brain stimulunts. managers tend to point to caffeine or nicotine (younger, racier ones may mention cocaine). However by far the most widely used stimulant is, of course, sugar.

Sugar or gincose is the body's energy currency. The brain has a voracious appetite for sugar, and even though the organ accounts for only 3-4 per cent of the body's weight, it can consume up to 30 per cent of its body sugar.

Unlike other organs, the brain cannot convert other foods, such as fats and proteins, to glucose when supplies run low. To keep the brain happy, the body orchestrates all its efforts to deliver the proper level of glucose to the brain. The entire body is geared to the survival of the brain. The brain can get its energy

supply from simple sugars (choose

fruits and boney over refined table sugar) and from complex sugars (starchy foods like rice, potatoes, pasta and grains). It can also get energy from glycogen, stored in the liver.

In the healthy body, a certain level of blood glucose will stimulate the secretion of insulin by the pancreas. Insulin makes possible the shuttling of glucose into the body's cells including those of the brain, for generating energy.

The problem comes when you eat too much refined sugar, stripped of its essential nutrients and vitamins. Large quantities

eventually overwhelm the body's ability to react smoothly by producing insulin. Instead the pancress overreacts by secreting excess insulin, violently driving the glucose level below that consistent with proper functioning

known as hypoglycaemia. Once the brain senses that its primary fuel is running low, it panics and sends out shock waves to all systems. These distress signals are

of the brain, causing a condition

immediately reflected in anxiety. depression, poor concentration and loss of memory. Then the heart rate quickens, sweating

begins, you become tired and suffer headaches. If the hypoglyczemia is severe enough it can lead to loss of consciousness.

The only natural response is to get more refined sugar into the system quickly. This will instantly make you feel better, but by the time you get home, you will be exhausted and anxious. A well-balance meal and a few hours sleep will not be enough to get you right again.

A longer-term strategy is needed. You should: Develop a healthy fear of refined table sugar and sweets. Stay away from soft drinks, coffee.

canned vegetables, salad dressings and breakfast cereals. • Eat yoghurt, fresh fruit and unsalted nuts to provide your high-energy fuel.

 Take part in decisions about what is served in your office cafeteria or dining room. Pay attention to the sugar bombs that are served at meetings and conferences.

Opt for fruit juices instead of sweetened caffeinated drinks or colas. Convert your coffee break into an "energy break". At a time when businesses are

spending millions to improve performance, a little maintenance of the company's most valued resource, the decision maker's brain, would seem a wise investment.

The author is the medical director of the Insead Business Health

BUSINESS AND THE ENVIRONMENT

Company reports leave vital queries unanswered

K COMPANIES will proba-bly have to be forced by law to report fully on their environmental performances if they are to be made environmentally accountable, according to a study of annual accounts released today. Companies increasingly include

environmental matters in the annual report, say authors Peter Kirkman and Chris Hope of Cambridge University, who analysed 237 UK company reports.

Most, however, tend to focus on positive activities which have public relations value and they fail to provide substantial information. Large companies were the most likely to disclose environmental information (54 per cent), compared with 23 per cent of medium-sized companies and only nine per cent of

unlisted companies.

Large companies also provided a broader range of information. There was little difference between company reporting in different industry

Most of the environmental information provided was partial and selective - with few numbers provided - and many companies did not give any evidence to substantiate their claim of being environmentally responsible.

For some companies, environmental reporting amounted simply to the fact that the company report was printed on environmentally

iCI was the only company to say in its accounts exactly how much it had actually spent on the environment: £350m.

Only four companies voluntarily disclosed "bad news" about their environmental performance, with ICI and Thames Water, for example, reporting that they were being prosecuted for environmental offences.

Pressure from institutional investors and other initiatives to encourage "green reporting" would most likely need to be backed by legislation, the study says, with a compulsory independent audit to ensure accurate disclosure.

Hilary de Boerr

Environmental Disclosure in UK Company Annual Reports, Management Studies Group, University of Cambridge, Mill Lane, Cambridge

Green fashion dulls edge of German chemical industry

Paul Abrahams asks whether the big three are crying wolf or justly grieved Chemical groups olean up spending

ermany's chemicals companies have seen off legions of foreign competitors since the Second World War. Now they are facing an Internal challenge from green poli-tics that threatens their prime posi-

The three chemicals giants BASF, Bayer and Hoechst claim that the cost of domestic environmental legislation threatens to cripple the industry by reducing competitive-

The chairmen's protests are part of a wider battle waged by German companies. German industrialists are struggling to contain costs of all Dr Jurgen Strube, chairman of

BASF, warns: "Given rising costs , for environmental protection purposes, high personnel expenditure, and a continual decrease in working hours, we run the risk of forfeiting our position in international compe-

tition".
Mr Strube, with his counterparts at Bayer and Hoechst, has conducted a carefully co-ordinated protest against the German government's planned environmental legislation. Are the chairmen crying wolf, or is the industry, a cornerstone of the German post-war economic miracle, really under threat? The proposed legislation includes: A charge next year of DM200 on each tonne of hazardous waste produced. Dr Frank Schendel, head of environmental policy at Bayer, says that preventing its introduction is

the industry's first priority. · A levy on carbon dioxide emissions which may cost the industry as much as DM500m a year, according to Bayer. That would be much higher than the carbon tax currently proposed by the European Commission.

 A solid waste charge on non-hazardous by-products used in land Fils, That could add DM80m a year to BASF's costs and DM290m to

Baver's. At the best of times the impact of such charges would be significant. These are the worst of times. The German economy, burdened by the costs of reunification, is slowing down. Chemicals companies face falling demand and struggle to maintain prices.

All three groups reported a fall in

Bayer (Germany). DM 225m DM 1,490m 9.0% BASF (Germany) DM 368m DM 1,065m 7.0% DM 343m DM 1,558m Hoschat (Germany) ICI (Worldwide) £120m Rhône-Poulenc (France) FFI 86470. FFr 589m

Hoechst, profits fell 24 per cent, at BASF 25 per cent. Even at Bayer, protected by its pharmaceuticals business, profits slipped 8 per cent. For the first time in a decade, dividends at both Hoechst and BASF were cut. The outlook remains gloomy. Dr Strube warned that there were few indications of a quick recovery. Hoechst's chairman, Mr Wolfgang Hilger cautioned that 1992 would be a difficult year.

Dr Jürgen Dormann, Hoechst's finance director, says "The good results of the last few years perhaps gave the wrong signals to the politicians who thought we could always afford the measures they threw at us. But we can't".

The German groups argue they have already cleaned up their act considerably. BASF says it has reduced its effluent load into the Rhine by 95 per cent since 1973. Air emissions are down between 80 and 85 per cent during the same period.

Such improvements do not come cheap. BASF spent DM500m between 1988 and 1992 on capital projects to reduce pollution, according to Dr Wolfgang Jentzsch, BASF deputy chairman. The group plans to spend DM900m between 1990 and 1994 on environmental capital profirst quarter profits this year. At jects, while between 1992 and 1996 it

will spend as much as DM1.6bn. The cost of environmental protection does not end with the initial capital investment, the groups argue. BASF reckons that, for each D-mark it spends on environmental capital projects, 40 pfennigs are

added to running costs. Operating costs generated by environmental measures in Germany alone reached DM1.07bn last year, equivalent to 5.2 per cent of sales. Pre-tax profits in Germany during the same period were only DML49bn

Bayer reckons that the cost of running environmentally related plant in Germany has doubled in six years and is now equivalent to 8 per cent of sales. Mr Hermann Strenger, Bayer's chairman, estimates it needs to spend DML.9bn on environmentally related capital pro-

Such expenditure on the environment is much greater than that of foreign chemical groups, the trio insists. Imperial Chemical Industries, the British group, spends 1.8 per cent of its turnover on environmental protection.

jects during the next five years.

The groups question the motiva-tion behind further legislation. They argue the levies are prompted more by political considerations than by a desire to reduce pollution. They suspect politicians have found a popular source of raising income and easing constraints on federal

government budgets.

They argue too that the levies would be ineffective. Politicians have failed to understand the economics of pollution control, says Dr Jentzsch. "There comes a point when its costs DM100 to reduce pollution 90 per cent. But for the next 5 per cent, it costs another DM100m. That is not a sensible use of

If the proposed measures are Implemented, the German chemi-cals companies may have to switch more investment abroad, warns Mr Hermann Strenger, Bayer's outgo-ing chairman. High environmental costs and delays caused by pressure groups have already forced the trio to invest outside Germany.

Mr Strenger is now calling for a consolidation phase. That appeal has some merit, according to industry analysts in Germany and overseas. German groups do tend to spend more on the environment than their competitors.

Such a disadvantage would burden of the proposed environmental legislation. Claims however by group chairmen that the German chemicals industry's trade surplus of about DM35bn could be wiped out are exaggerated.

The German industry can minimise the impact of rising environmental costs by cost-cutting measures; a strategy in which the German chemicals companies lag behind their European counterparts.

When groups such as ICI and Akzo of the Netherlands recognised recession two years ago, they launched cost-cutting programmes. The Germans reacted sluggishly. Costs per employee at all three groups remain far higher than at ICI, according to Mr Alasdair Nisbet, chemicals analyst at UBS Phillips & Drew: "If one takes two similar groups like ICI and Bayer. on every form of analysis, the German company is less productive than the British."

The German companies now have little choice but to grasp the nettle of restructuring. Ironically, the end result may be to make them even more formidable competitors on the

Cleansing the Elbe by data

By Andrew Lawrence

and runs for more than 1,000 kilometres before it joins the North Sea near Hamburg. is one of the world's most beautiful rivers. It is also one of the filthiest. Anyone unlucky enough to fall in will swallow a dangerous cocktail of sewage, bacteria, heavy metals, nitrates and chlorinated hydrocarbons.

A single dose of Elbe water may not be lethal, but much of the wildlife in and around the river has been killed off. After years of talk, an international project is at last under way to clean up the river and the North Sea into which it runs. For the first time, the scientists involved can draw on advanced data collection, computer analysis and measurement techniques borrowed from the world of process manufacturing.

The initiative to clean up the Elbe began in 1985 when the countries bordering the North Sea signed a treaty to halve pollution levels. While the former West Germany was willing and able to tackle pollution in the 200 kilometres of river it controlled, the Czechoslovakian and East German authorities, which controlled the remaining 900 kilometres, were uncooperative and lacked resources. Now Germany is unified and the Czech market economy stabilised the real work has started.

The first step was the formation of the International Commission for the Protection of the Ribe (IKSE) in 1990. IKSE, backed by the Czech and German governments and the European Commission, has concentrated on accurate measurement. "It's the first part of the battle. You have to have results before you can build plants to clean the river up". says Rolf de Vries, a project manager on secondment from computer supplier IBM.

As part of its main project labelled INES (Information Network Elbe Sanitation), IKES is now treating the river like a huge process plant. Remote sensors, monitoring stations and laboratories are being- established, sending software involved.

he River Elbe, which information back for consolirises in Czechoslovakia dation and further analysis.

of stations would have been unthinkable (ive years ago, but the cost of the technology has failen and IBM has donated PS/2 notebook and desktop computers and RS/ 6000 Unix Workstations Worth

The 18 measuring stations are being installed along the banks of the Elbe or on floating pontoons. A suction pump takes water and distributes it to automatic Instruments which measure its composi-The results are stored by a

local PS/2 personal computer, and forwarded electronically every 24 hours, by modem, to laboratories or land stations. The water quality data is

then sent up through an electronic hierarchy. Local results are transmitted to Hamburg and Prague for country analysis and then forwarded to the IKSE Secretariat in Magdeburg for final analysis. The detectors could reveal if

a serious accident has occurred. For example, the level of one chemical may exceed allowable levels or the water may be less opaque than it should be. The station computer would send an alarm call to the land offices. The river is never unguarded. If an alarm occurs outside office hours, a standby service receives the alarm call. Duty engineers then call into the station using notebook computers for more information.

IKES expects the benefits from the INES project to be enormous and long-term. Ultimately, the data could be used to underpin every anti-pollution activity, ranging from prevention, clean-up, legislation, prosecution or the issu-ing of licences to discharge substances.

The project team hopes its methods will attract interest. An initiative to clean up the River Oder (in Poland and Czechoslovakia) is underway, and IKES believes that those responsible for rivers across Europe and beyond could make use of the methods and

FT LAW REPORTS

Mareva extension for fresh claim

AIGLON LTD AND ANOTHER v GAU SHAN & CO LTD

GAU SHAN & CO LTD v AIGLON LTD AND OTHERS

Queen's Bench Division (Commercial Court): Mr Justice Hirst:

A MAREVA injunction which against one of two associated companies on grounds of non-arguability of the claim on which it was based may be extended as a result of a postargument amendment to the claim of the party in whose favour it was made, if the amendment raises a fresh claim which is arguable, and which is so inextricably interlinked with the original case against the other company that in the interests of justice it should be heard.

Mr Justice Hirst so held when granting an application by Gau Shan Ltd to extend a Mareva injunction and ancillary order obtained by it against L'Aiglon SA ("SA") in respect of an arbitration award against SA and its associated company, Aigion Ltd ("Ltd").

HIS LORDSHIP said the litigation comprised two actions arising out of an award by the Technical Appeal Committee of the Liverpool Cotton Association in favour of Gau Shan against Ltd and SA, a Swiss

On May 1 1992 Mr Justice Gatebouse granted applica-tions against Ltd and SA for worldwide Mareva injunctions and orders for disclosure of worldwide assets.

At that stage the sole substantive claim on which the injunction against SA was based was Gau Shan's counterclaim for leave under section 26 of the Arbitration Act 1960 to enforce the award in the

same manner as a judgment. On a previous application to the present court SA applied to set aside the Mareva and disclosure orders as against it.

Judgment was given on June 10 (FT, June 26 1992). The conclusion was that Gau Shan had no good arguable case against SA for an order under section 26. On that footing the court was prepared to discharge the Mareva and ancillary orders against SA.
One of the grounds on which

that conclusion was based was that the evidence then before the court failed to substantlate a good arguable case that SA was party to the contract of sale on which the arbitrators' jurisdiction was founded.

Gau Shan now applied to

extend the Mareva and ancillary order on entirely fresh grounds, including a claim ainst SA under section 423 of the Insolvency Act 1986 first put forward in an amendment to the counterclaim on June 1. and a possible claim under sec-tion 238 by liquidators of Ltd. Mr Colman for SA made it clear that he was not able, at present, to dispute that there was a good arguable case on the merits of those two contentions. However, he counterapplied to strike out the

Section 423(2) of the 1986 Act provided that where a person entered into a transaction at an undervalue, the court might make an order "restoring the position to what it would have been if the transaction had not been entered into".

By 423(3) the court should only make such an order if satisfied that the transaction was entered into for the purpose '(a) of putting assets beyond the reach of a person who is making, or may at some time make, a claim against him".

Evidence sworn on behalf of SA was directed to showing that as part of an allegedly legitimate tax avoidance nema. Ltd had stripped itself of its assets, partly by transfers to an Irish company of the same name, and partly by payments of management fees and commission to SA.

Mr Falconer for Gan Shan submitted that the evidence demonstrated a strong case showing Ltd had entered into a transaction with SA offending against section 423, in that assets were put out of Gau Shan's reach, apparently at an undervalue, by transfers to SA at a time when the arbitration award had been made. He said that ground alone substantiated continuation of the Mareva and the order, there being no contest from SA to Gau Shan's case on the risk of dissi-

pation of assets. Those submissions were accepted. Even if SA's explanation of the asset-stripping exercise was sound, it by no means

followed that the purpose of the transaction was not the section 423 purpose.

Section 238 of the Act provided that the liquidator of a company might apply to the where the company had entered into a transaction at an undervalue

Mr Falconer submitted that since Lid was now a shell company, it would be insolvent if Gau Shan were entitled to enforce the award against it. As a result a liquidator could apply for an order under section 238. He submitted the court had jurisdiction to grant a Mareva injunction against a third party such as SA, as ancillary to the relief sought (TSB v Chabra [1992] I WLR 231, 242).

A good arguable case was established, on the footing that there was credible evidence that SA's assets might in part be the assets of Ltd which had, as a result of the asset-strip ping operation, put it out of its power to meet the arbitration award - so that an injunction against Ltd alone was likely to be inadequate to protect Gan

Those conclusions provided a firm basis for continuing the Mareva, subject to the court's overriding discretion - and subject to Mr Colman's stri-

king out application. Mr Colman submitted first that the amendment was an abuse of process in that it was made between time of argument in May, and time of judg-ment; and that it fundamentally altered the position to the unfair detriment of SA, since it had no relationship to SA's attack on the award as having heen made without jurisdic-

was that it ignored the original case against Ltd, which included a section 423 claim. Irrespective of the failure of the original section 26 application, Gau Shan would have had a cast iron case for joining SA as an additional defendant under RSC Order 11 rule 1(1)(c), on the ground that it was a necessary and proper party. The court would inevitably have had regard to the fact that the section 423 claims against Ltd and SA were inextricably interlinked and in the interests of justice should be heard together.

The amendment did no involve abuse of process.

Second, Mr Colman subm ted that the amendment should be struck out under Order 28 rule 7, in that "the subject mat-ter of a counterclaim ought to be disposed of by separate action".

There was a significant connection between the amend ment and SA's original claim seeing that Gau Shan's subse quent efforts to enforce the with the arbitration. The amendment ought not to be disposed of by separate action

Third, Mr Colman submitted that having regard to the Lugano Convention 1988 the proceedings against SA on the amended counterclaim should be brought in the Swiss courts as the forum conveniens.

Switzerland and the UK were contracting states to the Con-vention, which was implemented by the Civil Jurisdiction and Judgments Act 1991. Article 6(1) provided that a per-son domiciled in a contracting state might be sued "(1) where he is one of a number of defendants, in the courts for the place where any one of them is

Article 6(1) gave the plaintiff an unfettered right of choice. it followed it was not open to Mr Colman to invoke the forum non commentens doctrine. Even if the court had reached a contrary conclusion on principle it would not have accepted his submission as to appropriate

There were no grounds for striking out the amendment. The worldwide injunction

against SA was fully justified Part of the asset-stripping oper ation was the allegedly improper payment of excessive ment fees and commis sions to SA in Geneva. The case for a worldwide Mareva against SA was every bit as strong as that against Ltd. The worldwide Mareva

For SA: Anthony Colman QC and Graham Dunning (Weight-man Rutherfords, Liverpool). For Gau Shan: Charles Faiconer QC and Alastair MacGregor (Middleton Potts).

iniunction and associated order

would be continued against

Rachel Davies

PEOPLE

Sir John Banham moves in as ECI chairman

Venture capital firms are always impressing on the com-panies in which they invest the value to be gained from taking on non-executive directors.

Few follow their own advice. ECI Ventures has taken a leap ahead of the pack with the appointment of Sir John Banham, until yesterday director general of the Confederation of British Industry, as non-executive contrman

He adds the ECI appointment to the five other directorships already under his belt but se comes with an office he will be moving into ECI's premises on the

north side of Waterloo Bridge. Sir John, who is 52, has had no previous direct involvement with the venture capital industry, according to ECI managing director David Wansbrough. But in his five years at the CBI the organisation did take up the cause of local venture capital funds which were to be known as Local Investment

The CBI lobbied, unsuccess fully, for tax breaks to allow the creation of such compa-

ECI is one of the veterans of. the UK venture capital indus-try and now comprises 11 part-

Equity Capital for Industry to finance small listed companies, particularly those in difficulties, but since 1980 it has shifted to providing finance for unlisted companies and now manages four funds with ets of about £170m. ECI does not expect to need

to raise new funds for a year or so but having Sir John on its letterhead will do it no harm. with UK investors at least. Sir John's business skills

will be especially welcome in an industry which has not distinguished itself by its ability



A nuclear grasp of options pricing



Andrew Street (left), who holds a DPhil in theoretical nuclear physics from Oxford University, is later this mouth joining Mitsubishi Finance International as director and bead of equity and commodity risk

Street, who was previously with Nomura International, heading equity derivatives training says his work on a neutron's path through the core of a nuclear reactor is indeed a valuable aid to grasping options pricing theory.

Misubishi Finance Interns-

tional, with noted derivatives academic Desmond Fitzgerald as head of arbitrage, has been a leader in developing exotic derivatives products such as average rate warrants and

Line-up to review pensions law

Street, in turn, has worked with Fitzgerald on a number of projects over the past five

"I have been brought in to Mitsubishi to run the desk on a day-to-day basis, leaving Des-mond more time for the big picture' strategic view. He is wasted on the desk," says His reasons for leaving

Nomura after 15 months? "As a securities house, Nomura has not been a credit intermediary," he points out. By contrast Mitsubishi, as the sixth largest bank in the world, can inhabit a strong position in a market where creditworthi-

The presence of Professor Tony Atkinson, architect of the Labour party's controversial tax plans, and Alastair Ross-Goobey, a former adviser to Norman Lamont, the chancellor of the exchequer, on the government's newly-estab-lished Pensions Law Review Committee should ensure that it is not unduly influenced by the powerful pension industry

Atkinson, of the London School of Economics, an acknowledged expert on income and wealth distribution, and Ross-Goobey, chief investment strategist at stockbrokers James Capel, are among the nine new members of the committee which has been set up to examine the

administration and regulation of pension schemes in the wake of the abuses thrown up by the Maxwell affair.

The appointment of Sua Ward, a freelance journalist and former TUC expert on pensions policy, to the committee is a further sign that the govemment wants to get as wide a range of opinions as possible before it drafts any new pensions legislation,

The other members of the committee, chaired by Roy Goode, professor of English Law at Oxford, are: David Berridge, Scottish Equitable Life's chief executive; Harvie Brown of William Mercer Fraser; Bryan Rines, a former general manager, insurance and investments at ICI: Stuart James, a partner of Rowe and Maw; Terence Libby, chairman of Mor-risflex; and Patricia Triggs, a partner in KPMG Peat Marwick McLintock. The committee, set up on

June 8, will report within 12

months.

Its terms of reference are: To review the framework of law and regulation within which occupational pension schemes operate, taking into account the rights and inter-ests of scheme members, pensioners and employers; to consider in particular the status and ownership of occupational pension funds and the accountability and roles of trustees, fund managers, auditors, and pension scheme advisers; and to make recommendations.

Bodies politic

■Stuart Young has been elected chairman of the London region of the ARCRITECTS AND SURVEYORS INSTITUTE. ■ Michael Sargeant, md of Allied Mills, has been elected president of the NATIONAL ASSOCIATION OF BRITISH AND IRISH MILLERS Richard Willan, md of Christie-Tyler, has been appointed chairman of the board of QUALITAS. FURNISHING STANDARDS. THE Gary Conrad, md of Benjamin Toys, has been elected chairman of the TOY ASSOCIATION.

Lord Wigoder has become a patron of the INSTITUTE OP MANAGEMENT SERVICES in succession to the late Lord LLoyd of

Kligerran. Peter Eliwood, chief executive TSB retail banking and insurance, has been elected chairman of VISA International's Europe, Middle Rast and Africa regional boar # Freddie Aldous (below left), chairman and chief executive of Swan National, has been re-elected president of the EUROPEAN CAR AND TRUC RENTAL ASSOCIATION. Alan Havard (below right) has been appointed president M the EUROPEAN INSUEATION MANUFACTURERS ASSOCIATION:

and Murray



Can you rebuild a nation's industry without starting all over from scratch?

The collapse of the Comecon revealed a desolate industrial and economic Eastern European landscape - unwieldy structures operating inefficiently and creating large-scale abuse of the environment.

So it's your problem, too.

Bankrupt economies can't rebuild themselves from scratch, but Western expertise and investment can be attracted to help. In May 1990, ABB formed a joint venture with two Polish companies lacking the key skills necessary to survive in a competitive world economy. Technology transfer agreements were signed, and the new ABB Zamech restructured every operating function, installing clear lines of responsibility. Within 18 months the Polish company had been transformed into a center of excellence for the manufacture of gas and steam turbines. Production times had been halved. And by 1991 ABB Zamech was using about one third less electricity, gas and water per unit of production.

With total commitment on all sides, the effective transfer of technology, skills and responsibility to local management can work wonders - both for the economy of Eastern Europe and the

Yes, you can.

Fuente Ovejuna

de Vega's 1619 play at the National Theatre before it travels north. Theatre-lovers who missed it last time round should pick up the telehome and book in haste. Except for young children and persons of especially timid disposition (there is a certain amount of rape and minder), it is hard to imagine that yone could fail to find it both stirring and rewarding.

The strong story is archetypal, or over the centuries has come to seem so, though Lope lights up his characters with individual touches. A Commander in the service of Ferdinand and Isabella, who has the village of Fuente Ovejuna as his fiefdom, is a voracious tyrant who at last goes too far. The village summons its collective courage to assassinate him, takes the cruel consequences, but survives through heroic solidarity: when the Inquisition comes to seek out the culprits, even under torture, nobody - man, woman or child - will say more than "Fuente Ovejuna did it!" To our great relief they get away with it, but it is touch-and-go, and the "happy ending" casts troubling

Declan Donnellan's production has lost none of its cutting edge in this revival. It plays for just under two hours without an interval, seizing one's attention from the start and never letting go. Many of the original players remain; again James Laurenson's monstrous Commander is exquisitely detestable, and again Rachel Joyce plays his chief victim with disarming plainness and wrenching force. Her calf-eyed fiance is still Wilbert Johnson, funny and

honestly touching.
As the incorrigible village debater Mengo, Clive Rowe (who also sings, to excellent purpose) somehow manages to look exactly like Lenny Henry and Dawn French, which makes him irresistible. Pamela Nomvete's Pascuala is a match for him – but one ought to be praising everybody here: each of the many roles, large or small, is addressed with terrific commitment. Adrian Mitchell's colloquial-modern Englishing eves them and the drama wel (milike his recent version of Lope's Columbus play The Discovery of the New World, where the sacrifice of period rhetoric and dignity was a duli loss).

The several elements of the show Nick Ormerod's tellingly simple designs, Mick Hughes' bold lighting, above all Paddy Cunneen's toughly "ethnic" music and Jane Gloson's direction of the massed parades and dances - meld into an indissoluble whole. Donnellan has imposed a tight theatrical form upon it which would probably have surprised the playwright (taut structures seem not to have concerned him much), but does him magnificent justice The close-up vignettes live and breathe, within a stern formal plan that grips like a vice.

David Murray

Sponsored by Marks & Spencer. In repertory at the Cottesloe until July 30; then at the Edinburgh Fes-

'Happiness' moves to the West End

After a successful run at the King's Head, Islington the compilation of Vivian Ellis songs, Spread a Little Happiness, opened at the Whitehall Theatre in the West End on Monday.



Bart de Block and Lisa Cullum in Peter Schaufuss's production at the Coliseum

Dance/Clement Crisp

The Berlin Ballet's 'Giselle'

he Bertin Ballet opened its first London season on Monday night with Giselle. This is the staging. - by Peter Schaufuss, director of the company — on which I reported during the company's visit last summer to the Edinburgh Festival It is a view of this gem of the 1840s which dots every dramatic "i" and crosses every Romantic "t", and, having quite a few dots and crosses left over, lavishes them on various other matters in the action. Nothing in drama or character is unexplained: this is a Giselle for neurotics (or the very literal-minded) who must know the why and wherefore of every least moment. The peasantry in Act I have all acquired names - though I'd go to the stake before I could tell Gundolf from Bernward - and behave with the sort of vivacity and "Gosh, here I

tation. To its concert on Sunday

Royal Court Theatre, it attracted a

sizeable, young audience which was

not made up of London classical

music regulars and had an above

average quota of children. The lat-ter would have been roundly enter-

tained by the colourful staging (by

Adam Spiegel) of Stravinsky's Sol-

dier's Tale which formed the pro-

gramme's second half; while con-

ductor Charles Hazlewood' s

enthusiastic, knowledgeable spoken

introductions to the items were

designed to win over all age-groups.

The first item was unconducted.

Amid the toppled potted plants of

the Stravinsky set, some of the

string players, violins and violas

standing in "camerata" fashion,

nicely intoned the opening instru-

mental sextet from Strauss's opera Capriccio. The theatre's intimate

ecoustics were perfect for the piece.

and the performance was led with

quiet strength by first violin Philip

Dukes, who used portamento judi-ciously and often. Then came Frank-

Bridge's exquisite 1908 Suite for

Strings, conducted by Hazlewood in

that I thought was the province of the rankest amateurs. It is excessive, and a pity, since Schaufuss has sensible ideas about the dramatic logic needed to make the old repertory vivid for a new audience. Lightly sedated, and rid of its puppyish enthusiasms, the production would make greater sense, though nothing can rivel the blessed simplicity, the let-the-dancedo-its-job clarity, of the Kirov production, which is the ideal Giselle. Of course, the Kirov version is the fruit of 150 years uninterrupted life in the theatre. Schaufuss's compensatory procedures - a Pelion on Ossa of detail - are a means of supporting and sustaining his nov-ice casts. It is production as substi-

tute for interpretation, and on these terms it worked helpfully on Mon-

day night when Lisa Cullum and

ing plan for each of the four move-

touching Nocturne, was beautifully

brought off. The finale was slightly

Philip Dukes impressively

switched to viola to play the solo pert in Britten's 1976 orchestration

for strings of his ruminative, astrin-

gent Lachrymae on a song by Dowland (1950), and played it superbly

As his all-important violin contribu

tions to The Soldier's Tale con-

firmed, he is a wonderful natural musician. The world premiere

planned for this evening having

been postponed, we were left with

the Stravinsky, about which Mr

Hazlewood's chat told us much of

interest but not who had devised

the slick rhyming doggerel couplets

of this English translation. The sev-

en-piece band sounded keen and

fresh, and the actors were spirited if

under-rehearsed. They lived danger-

ously - the absence of a dancer

Princess towards the end of the

work had the honey-voiced narrator Samuel West hopelessly fumbling to

fill the gap; but a bit of dangerous living is what Eos is all about.

warped by wrong intonation.

Concert/Paul Driver

Eos

Eos is a young ensemble in the senses that it is recently formed, comprises young (talented) players, and has a young-hearted, cobwebsweeping attitude to concert presentiate.

Bart de Block were the central fig-

Miss Cullum is a young dancer. and her Giselle is a tender, very immature portrayal. She has a siender physique, and a touchingly vulnerable profile for the peasant girl, but as yet her reading is a matter of lessons repeated rather than a masterpiece illuminated. The dance is innocent in style as in means; the interpretation touches by its gentleness, but it must learn to explore both the mystery and the steely technical demands that lie at the heart of the role. (The staging might come in to focus with a great Giselle at its heart). Bart de Block makes Albrecht altogether too lightweight a figure; able as a dancer, he is overcome by the drama.

Christine Camillo was a fine and brilliant Queen of the Wilis, and in subsidiary roles, I salute the bold

clarity of the men in the first act solos - strong, vital dancing - and shall long treasure the assembled peasantry bent double when the Courland hunting party arrives, avoiding looking above the gentry's knees as if Princess Bathilde were a visiting Gorgon. The decision to show Giselle's hands smeared with blood as she stabs herself is lamentable. Desmond Heeley's designs of trees and misty vistas are ravishing, and his costuming is uniformly attractive. The cover for programme and souvenir book - a naked softfocus lady with arum lilies burgeoning on her strategic bits - is hilarlously inapt except as an advertise-

The Berlin Ballet is at the Collsonn until July 4. Programming varies. Support for the season comes from Montblanc (UK).

ment for a deodorant.

Jazz/Garry Booth

Mike Westbrook Orchestra

Mike Westbrook's idea of a standard himself was introduced by altoist rhyme, London Bridge is Broken Down" for jazz and chamber orchestras combined, or to write a moody setting for the poetry of William Blake. His latest project, which celebrates the 200th anniversary of the birth of composer Gioacchino Rossini, is no less ambitious or eccentric in its execution. At Ronnie Scott's, accompanied by a disreputa-ble looking big band which includes a violin and an accordian, the archarranger tackles The Barber of Seville, The Thieving Magpie and Cinderella with famous gusto and

hamour. Bringing a 20 piece orchestra to a jazz chib with the ambience of a sauna, could have been unwise. however - had it not been for the steamy burlesque warbling of partner Kate Westbrook. With her black dress and red gloves clasped around the mike, her sensual but not entirely serious serenades are entirely suited to the lubricious atmosphere of Soho in summer. Rosina was given a new persona as Berlin cabaret lieder and Figaro

is not a Monk or Strayborn original. Alan Barnes as a cheerfully swingevening in the unusual venue of the ments. The third of these, a deeply He prefers to arrange a nursery ing "Pactotum Al Bebop". Four trumpets, their owners perched b cariously on a shelf at the back of the stage, declaimed uproariously

> The improvised trilling of soprano saxophones and blue bass line eventually crowded in on the overture to the Barber and Westbrook, who has the look of a cavity wall insulation salesman, looked on mischievously Kate, now all in red, proceeded to astonish a near melting audience with the endlessly rolling r of a most unlikely and lascivious Cinderella before the orchestra neatly segued into a militaristic marching piece taken from The Thieving Mag pie. After more dramatic snarling from Kate, Mike set the orchestra into a gallop and the Ronnie's crowd, either gasping for air or gap ing with amazement, were over whelmed by the William Tell over-

ture. Rossini, who apparently relished the opportunity to stun an audience, would surely have approved.

Television/Christopher Dunkley

Tabloid times

the year British television consists of little but thwok, thwok, "Thirtayfortay"; and "Just a single there from a thick edge, nicely fielded by Lewis". It is, no doubt, yet another indication of the intensification of the battle for ratings that this year there seem to be nearly as many new series opening in early summer as we would normally expect in early autumn. Even more significant is the type of material. We have already seen the start of such tabloid telly series as Crime Limited on BBC1 and Michael Winner's True Crimes on ITV and now we are getting a lot more of the same sort of chatty human interest journalism.

Regular readers will know that the concern expressed here has never been that such series should not exist but that popular journalism should still be good journalism, and that the increase in "tabloid" content should be accompanied by a proportionate increase in more lemanding matter. The fear has always been that if you force desperate competition upon broadcast-ers, Gresham's Law will ensure that bad drives out good, and even though the total quantity of television goes up, not only does the proportion of more intelligent material fail to go up with it, but the quantity may actually go down. It is difficult to be sure, programme quality being such a subjective matter, but my impression is that that is pre-

cisely what is happening now.
In fairness it should also be said that much of the tabloid material is better than what you find being aimed at the same audience by today's print medium. For example the opening episode of BBC1's 999, a British version of the American series 911, turned out - contrary to the fears I expressed beforehand not to contain the sort of sickeningly intrusive over the paramedic's-shoulder footage in which the American programme specialises. You can never be sure until you have seen three or four episodes. but judging solely from the first. 999 is more reminiscent of the stuff which used to appear in boys' magazines such as Adventure and True Stories 35 years ago.

The first programme opened with a reconstruction of a rescue by firemen and doctors of a woman buried under a collapsed house, and went on to an amazing story about a man making his first freefall parachute jump, clipped to his instructor who, unknown to the jumper, blacked out shortly after leaving the aircraft, a fact observed by a following cameraman who "swam" down to the couple and released their parachutes. There was also a reconstruction of a bizarre incident in which a teenage girl fell out of a water-ski tow boat, was mown down by the from death by the prompt action of teenage brothers messing about in a speed boat. It was hard to evoid the nuessy feeling that, however much the programme emphasised the courage of the rescuers, we were all being invited to enjoy someone else's misfortune. Still, it did make a change from stories about teenage drug addicts and car thieves. The same could be said of A Class

Of Their Own, an ITV series about gifted children which opened on Monday with an account of Katharine Merry's progress, as she hopes, towards an Olympic gold medal. Having run the fastest 100 metres ever recorded by a 14-yearold she is now, at 16, under intense training. We watched her win her heat but lose the final in Thessaloniki. This was a perfectly amiable, competent bit of programme making, on the sort of subject which would once have provided a five minute item for Nationwide. There is nothing mong with it, provided it does not become the model for all British television journalism.

Another new lightweight series from BBC1 is Fighting Back, which might be sub-titled This Is Your Ghasthy Life. From a studio chair Lynn Redgrave interviews someone who has suffered a terrible setback but overcome it and soldiered on. Programme 1 told us about Mike Nolan, a singer with a pop group, who survived a bad road accident but now suffers from epilepsy. Programme 2 tonight features former Wimbledon champion Arthur Ashe who contracted AIDS from a blood transfusion necessitated by open heart surgery, more individual misfortune. Still, those who enjoy This Is Your Life and find it comforting to hear about people worse off than themselves will presumably like this series. But up to now British television journalism has had ambi-

tions far beyond this. No doubt television executives will claim that it still has and point to other new series such as CIA on BBC1, The Crescent And The Star on BBC2, and Seven Up on ITV. though this last title is of course already familiar to us; all that is new is the idea of extending the septennial sequence of documentaries to children in Germany and Japan. They have many of the attractions of the British original. though sub titling leads to a certain loss of charm and subtlety.

As for CIA, it is part of a flash flood of spy programmes which seem to have been brought about by the collapse of communism in eastern Europe and the end of the cold war. Suddenly people are admitting what some of us suspected all along: that most of the "secrets" were not worth guarding in the first place and that most of the spies were double or treble agents or had been turned so many times that they had forgotten which side they were meant to be working for.

CIA began with a pre-credit sequence which suggested we were in for a comedy: Nazis straight out of "'Allo 'Allo" crept into the woods saving "Ve buried zese wery waluable microfilms". They proceeded to dig a hole and bury what appeared to be half a dozen copies of "Gone With The Wind" in film cans the size of wagon wheels. Goodness knows what the producers imagine microfilm looks like. Matters went downhill from there with too many old spooks talking to camera, too many topics launched and then abandoned, and far too little semblance of a coherent programme plan. They may have set out to make this a cut above tabloid telly but neither subject nor treatment was up to scratch.

By far the best of the new factual series starting last week was Charles Bruce's The Crescent And The Star which promises to record "the resurgence of Islam in the for-Episode 1 showed us what is happening in Turkmenistan. Out on the steppe mosques are being built, the muezzin is calling the faithful to prayer, and civil servants have stopped quoting Karl Marx and started quoting Adam Smith. It is as though communism was just one more brief tale in the unending story of the Arabian nights.

Clearly the British have not lost the art of making broadsheet televislop programmes. However, it is worth remembering that whereas there are just four programmes in The Crescent And The Star. a series such as Fighting Back can run for years or even decades judging by This is Your Life. Similarly Seven Up is by its nature a very occasional series, while 999 could run and run. It may all prove to be paranoia, but it looks as though ITV and the BBC are building up for a ratings war at the tabloid end of the current affairs business, with preclous little effort being put into expanding the opposite end.

INTERNATIONAL

ECHICAGO

RAVINIA FESTIVAL Tonight's Beethoven and Schubert piano recital is given by Rudolf Firkusny. Tomorrow: James Levine accompanies Gerhart Hetzel in four Mozart violin sonatas. Fri: Levine conducts the Chicago Symphony Orchestra in a programme of Brahms, Bach and Mahler, with Peter Serkin piano soloist. Sat: Marilyn Horne sings songs of Foster, Cohan and Berlin, Sun: Jessye Norman is soloist with the Chicago Symphony.

Next week's events include a Shura Cherkassky recital and concerts by Miriam Fried and James Galway. The festival runs till early September (782 4642)

■ FRANKFURT 42nd Street, the award-winning Broadway

at the Alte Oper (1340 400) ■ Trisha Brown Company can be seen in a triple bill of

musical, is showing daily till Sun

choreographies at the Schauspielhaus tonight, Fri and Sun (236061)

 Peter Sellars' widely-travelled production of John Adams' opera Nixon In China comes to the Opernhaus this week for three performances: tomorrow, Sat and Mon (236061)

HAMBURG

HAMBURG JAZZPORT 82 Hamburg's jazz festival opens tonight at the Delchtorhallen with a New Orleans revue, featuring Willy de Ville, Dr John, Wild Magnolias and other guest artists.

Tomorrow: Cab Calloway leads

a Cotton Club revue. Fri: Herbie Hancock and Wayne Shorter in . a Tribute to Miles Davis. The festival runs till July 9 (323763) MUSIC THEATRE Leonard Bernstein's West Side Story opens tonight at the

Deutsches Schauspielhaus, and

runs till Aug 30 (248713)

LONDON

Covent Garden 20.00 Christoph von Dohnanyi conducts Ian Judge's production of Der fliegende Hollander, with James Morris and Julia Varady. Tomorrow: Don Pasquale (071-240 1066) Coliseum 19.30 Ballet of the Deutsche Oper, Berlin, in Béjart's choreography of Le Sacre du printemps, Bill T Jones' The Opening and Christopher Bruce's Swansong, repeated tomorrow

and Fri. Sat Peter Schaufuss' production of Giselle (071-836

Royal Festival Hall 19.30 Gluseppe Sinopoli conducts the Philharmonia Orchestra and Chorus in Mahler's Second Symphony, with Fernanda Costa and Waltraud Meier. Tomorrow: Schoenberg's Gurrelieder

Queen Elizabeth Hall 20.00 Diego Masson conducts Patrick Mason's Opera North production of Caritas, opera by Robert Saxton with libretto by Arnold Wesker. Repeated tomorrow (071-928

■ NEW YORK

THEATRE • The Price: Ell Wallach, as the old Jewish furniture dealer, gives the star performance in Arthur Miller's play about two estranged brothers who must share their late father's estate (Roundabout Theatre at Criterion Center, Broadway at 45th St, 869

8400). The Substance of Fire: Jon Robin Baitz's play about an intransigent publisher at odds with his grown children (Mitzi E Newhouse, Lincoln Center, 239 62001.

 Conversations with My Father: Herb Gardner's bitter-sweet memory play about a Lower East Side barkeeper, his two sons and the patrons of his tavern (Royale, 242 West 45th St. 239 6200).

 Beau Jest a comedy by James Sherman (Lamb's, 130) West 44th St, 997 1780).

 Weird Romance: a science fiction musical. Daily till Sun (WPA Theatre, 519 West 23rd

 Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171)

PRAGUE A summer season of concerts

St. 206 0523).

has been organised in the city's historic buildings and gardens. with programmes this week and next built around the theme of Mozart's Prague. Tonight in the Wallenstein Garden, the Pardubice Chamber Orchestra ofters a programme including Mozart's Flute Concerto K313 and works by Haydn, Rossini and Beethoven. A separate programme of piano trios by Mozart, Haydri and Beethoven can be heard in the Monastery of St Agnes. Tomorrow: baroque programme in the south garden of Prague Castle. Sat at Lobkovic Palace: Stamitz Quartet plays Mozart. Sun in Church of Maria Virgin of Snow: brass and organ concert. Advance booking at the Smetana Hall (u Prasne brany 2, 232 5858).

 For information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16. 228738, or Melantrich, Wencesias Square 38 in the passage, 228714).

■ SAVONLINNA

The 1992 festival opens tonight

with Laszlo Seregi's production of Prokofiev's Romeo and Juliet (repeated July 3, 6, 9, 14). August Everding's new production of Fidelia, conducted by Leif Segerstam, can be seen tomorrow (repeated July 4, 7,

10, 16, 20, 23). Sun at Olavinlinna Castle: gala concert marking the festival's 25th anniversary. This year's programme also includes productions of Aida, Die Zauberflöte and Porgy and Bess (Savonlinna Opera Festival.

Olavinkatu 35, 57130 Savonlinna.

Tel 57-514700)

SCHLESWIG - HOLSTEIN Schleswig-Holstein Music Festival: Valery Gergiev conducts the Kirov Opera ensemble in a concert performance of Verdi's Otello tonight at Neumunster. The Alban Berg Quartet gives a recital tonight in Haseldorf. The Sinfonia Varsovia's concert tomorrow at Lübeck marks the start of the ensemble's tour of the region, with conductors including Yehudi Menuhin, Witold

The Emerson Quartet is loined by Maria Joao Pires in a concert at Altenhof on Fri, and by Sabine Meyer at Husum on Sat. The festival runs till August 23 (431-567080)

Lutoslawski and Justus Frantz.

■ VIENNA

WIENER MUSIKSOMMER Vlenna's summer music programme opens tonight with a concert at the Konzerthaus. in which Claus Peter Flor conducts the Vienna Symphony Orchestra in works by Sibelius and Tchaikovsky, with Victor Tretiakov violin soloist. Sat: Serge Baudo conducts Berlioz, Ravel and Bizet.

Wiener Musiksommer continues till the end of September in the city's main concert halls, churches and historic castles (credit card bookings 4000 8410).

KARAJAN FILM FESTIVAL Herbert von Karajan's legacy

of filmed opera and concert performances is the focus of this summer's open-air festival at the Rathausplatz.

The festival opens tonight with Mozart's Requiem, with the 1987 Salzburg Festival production of Don Giovanni (Samuel Ramey) tomorrow, and the 1982 Salzburg production of Falstaff (Giuseppe Taddei) on Fri.

Zeffirelli's 1963 Milan production of La bohème and Otello with Jon Vickers follow later in the month. Screening starts at dusk.

The festival opens tomorrow at

VIENNA JAZZ FESTIVAL

the Rathaus, Arkadenhof, with a programme entitled A Night in New Orleans, featuring the Dirty Dozen Brass Band, Dr John, Zachary Richards, Johnny Adams and others. At Staatsoper on Sat. Violinist Stephane Grappelli and on Sun trumpeter Wynton Marsalis. Sat in Volkstheater: Drummer Jack DeJohnette and his Special Edition. Mon at Stadthalle: Chuck Berry and Jerry Lee Lewis.

The festival runs till July 13 (Information 712 4224; Tickets 5454 540).

European Cable and Satellite Business TV

(all times CET) MONDAY TO FRIDAY

2000-2030, 2300-2330 World Busi-ness Today - a joint FT-CNN pro-duction with Grant Perry and Colin

Super Channel 0830-090 (Mon) FT E2st Europe Report – weekly indepth shalysis from FTTV 2130-2200 (Tues) Media Europe – 2130-2200 (Wed) FT Business

Weekly - global business report with Jamos Bellini 0830-0900 (Thurs) Media Europe 2130-2200 (Thurs) FT Eastern Europe Report 0830-0900 (Frij FT Eusiness

Sky News 0130-0200 (Mon), 0130-2200 (Thurs) 0530-0500 (Fri Fi Eus-ness Weekly

SATURDAY

0900-0930 World Business This Week - a joint FT-CNN production 1900-1930 World Business This

1930-2000 FT Eastern Europo

Report SUNDAY

1030-1100, 1860-1630 World Sus-

1800-1830 FT Susiness Weekly

Sky News 1330-1400, 2030-2100 FT Business

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Wednesday July 1 1992

Harmonising EC taxes

This seems to be the conclusion reached by Mr Norman Lamont after years of battles between the UK and most of the rest of the European Community over harmonisation of value added tax and excise duties. It is a sensible conclusion. A Britain "at the heart of Europe" has to behave like a "good European". One of the characteristics of good Europeans is that they are extremely uncomfortable about competition among fiscal - not to mention other regulatory - regimes. What is more, the UK has already shown that it is less than fully attached to the principle of free fiscal competition.

In the case of value added taxation, the UK's original position was that neither minima nor maxima were needed. That position has much to recommend it. The US, for example, manages to survive very well without constraints on the freedom of individual states to impose taxes. In the EC, however, some member countries would not eliminate border controls without prior agreement on minimum rates of indirect taxa-tion. Furthermore, the concern about revenue erosion in regions of the EC where dense populations fall close to international borders was at least understandable.

Last year, the UK government accepted a political agreement that the standard minimum VAT rate would be 15 per cent. This concession came in return for acceptance by the rest of the EC of the UK's (admittedly absurd) attachment to zero rating of food, fuel, transport and children's

clothing.

The UK had also long agreed that there should be minimum rates of excise duty on tobacco and alcoholic beverages, mainly for health reasons, but also, no doubt, to protect as much as possible of the £11.9bn in revenue expected from these two sources in 1992-93. While not impossible, it is somewhat difficult to desire ECwide minima for some taxes and reject the principle for others.

Sensible conditions

tion commitment to the goal of a single market, make it difficult for the government to fight to the death for its refusal to enshrine the 15 per cent VAT minimum in a

PRINCIPLES MUST be flexible. legally binding directive. It was reasonable, therefore, for the chancellor to accept the principle at the meeting of EC finance ministers on Tuesday. But he did so subject to equally sensible condi-tions: that the directive would be limited to four years, that it would require unanimity to reimpose it and that it would be part of a

pete for passengers' custom by giv-ing them good service and reliable trains at an affordable price.
Or will they? Today, British Rail

is expected to announce its worst

inancial result in seven years — a loss of more than £140m for the year to March 31, and even that is only after receiving government subsidies of nearly £300m. If this is the state of Britain's railways after a cheeck of pritain's railways after a cheeck of the cheeck of

decade of restructuring, it is temp

ing to ask, what private sector com-pany is going to be in the least bit interested in running them?

 BR will be split into two separate bodies. One will continue to own

the trains. The track-owning body will charge the train operator for

The train-operator will gradually be privatised. Passenger services

will be franchised out to the private

sector, and the freight and parcels

Private-sector companies will be

or freight services on BR's tracks.

· A rail regulator will be created

to make sure all train operators get

The main feature of these proposals is that, faced with the poor financial performance of the rail-

ways, the government has given up

hope of selling them off in their

entirety. Instead, it has decided to leave the financially burdensome

track infrastructure with British

Rail and pursue the less ambitious

This makes sense. Bus operators

after all, do not own roads, nor do airlines own airports; and would-be

train operators such as Stagecoach,

the bus operator, and Virgin, the

airline, have expressed no desire to

The trouble is that even with

responsibility for the tracks

stripped away, companies like

Stagecoach and Virgin are inter-

ested only in cherry-picking one or

two of the most lucrative train ser-

vices. There has been no discernible

interest from any quarter in the

idea of franchising the great bulk of

BR's operations: nor is there likely

to be unless some tough questions

The most obvious one is whether

there is any money to be made from

running trains. British Rail's latest

figures will offer little encourage

ment on this score. No doubt the private sector would prove more

successful at extracting profit from

trains than British Rail. Even so, its

prospects of doing so will depend

crucially on what it is charged for

The reason why this figure is

important is that rail infrastructure

costs are so high. For a lorry owner,

infrastructure costs are barely an

issue: access to the roads, in the form of the annual vehicle licence

fee, typically represent only 4 per cent of operating costs. For airlines,

too, airport and air navigation

charges represent only 10 per cent of outgoings. But for British Rail,

track costs amount to 48 per cent of

At present, British Rail has no

system for allocating track costs to

individual trains. Ownership of the

tracks is split between the four

main business sectors - InterCity.

the use of the tracks.

are satisfactorily answered.

become owners of tracks.

notion of privatising the trains.

allowed to run their own passe

fair access to BR's tracks.

the plans will look like this:

the use of its tracks.

operations will be sold.

When the government's longdelayed white paper on rail privati-sation appears in a fortnight's time,

The problem is that "broader deal". There is an argument for taxation of alcoholic beverages on health grounds. The absence of border controls would, therefore, seem to make either some minimum rates of taxation or some controls over imports necessary.

Enfeebled regime

The EC has already agreed on the latter. People may import certain indicative quantities for their own personal use, these levels being 800 cigarettes, 10 litres of spirits, 30 litres of fortified wines and 90 litres of wine. But 90 litres of wine here, 90 litres of wine there, and one would soon be talking of a significantly enfeebled excise duty regime. The case for minimum excise tax rates

The problem is that the EC has agreed to a minimum rate on wine of zero, the initial level in several member countries. This means that any positive minimum on spirits would be discriminatory. With the health case for minimum excise duties already lost in the case of wine, the chancellor is inevitably more concerned about the discrimination against the spirits, which the UK - or rather Scotland - makes.

The chancellor's ability to argue persuasively against discrimina-tory taxation of spirits is weakened by the discrimination in the UK's own taxation. But the principle is self-evidently correct.

By now a logical position on indirect taxation cannot be achieved. No minima at all might have been best of all, in which case competition would have delivered a degree of tax convergence. No minima for VAT, but health-related minima for tobacco and alcoholic beverages, would also have been defensible. But this too is now out of reach. The UR was right in its initial positions. But, given what is at stake in the single market, it is right to try to

Scandal touches emerging markets

countries have been exerting an increasingly powerful attraction on investors in the developed world. The trend towards liberalisation across the globe; the ready supply of equity stemming from privatisation in countries as diverse as Mexico and Malaysia; the potential for above-average investment returns in the developing world - all these things have combined to promote capital transfers on a growing scale. Yet the unfolding scandal on the Bomhay Stock Exchange, one of Asia's more febrile markets, raises an awkward question about future access to the developed world's savings. Will malpractice kill off the potential inflow of capital? On the face of it, the Indian

market, from which foreigners were excluded until last month's \$150m international equity offer by the Reliance petrochemical group, has been shown to be a treacherous repository for risk capital since prices started to slide at the end of April. The biggest of India's exchanges, Bombay, which trades in nearly 700 companies, suffers from an undercapitalised jobbing system. Liquidity is poor, insider trading is rife and settlement is grossly inefficient.

That sounds like the very definition of a market worth avoiding. Yet it is not so different from the British and American capital markets in the 19th century. And the starting point for the recent surge in the Indian stock market, which took the average earnings multiple to a Japanese-style 57 at the peak, was not unreasonable. Investors were anticipating the increased returns from a policy shift towards export-led growth and the opening up of the econ-omy to foreign direct investment.

Powerful incentive

The heady rise prompted by the prospect of liberalisation in the real economy collided with a combination of over-regulation and under supervision in the financial sector. Because of tough regulations that required state banks to put a high proportion of deposits into government paper at the Reserve Bank of India, the banks had a powerful incentive to divert funds into an inter-bank promissory note market.

This market in IOUs overheated

proportion to their capital. Money raised in the inter-bank market was then used for speculation in the stock market. Since the central bank lacked the resources and computer capacity to register securities transfers quickly or to monitor events more generally. the outcome was disaster.

It is too early to be certain about the impact on foreign inves-tors' confidence. While the Refiance issue went ahead. Grasim, a large cement and textiles concern. has been forced to delay a similar \$90m issue because of the halt in trading on the Bombay exchange. But outside investors are not the chief victims of the scandals; and the extent of the damage may ulti-mately depend on the Indian government's regulatory response.

Better regulation

At a time when foreign exchange is scarce in India the case for better stock market regu-lation is not hard to make. For developing countries generally that case may be reinforced by the fact that savings ratios in the developed world have been in long-term decline and interna-tional bank lending has temporarily been contracting. Competition for savings is set to intensify as formerly state-controlled countries in Latin America and the former Soviet bloc move progressively towards more open markets.

The importance of external capital can nonetheless be exaggerated. With a savings ratio of 21 per cent, India would scarcely expect external portfolio capital to make a dramatic impact. It is also noteworthy that of the four spectacularly successful Asian dragons -Hong Kong, Singapore, South Korea and Taiwan - only South Korea relied heavily on foreign private capital to finance its rapid economic growth. But elsewhere in the third world, domestic savings ratios do not always have the support of Confucian, or plain Asian, habits of thrift. More open capital markets can compensate for that lack, especially when firstworld investors feel short of thirdworld assets. As long as the wider policy framework remains broadly liberal, greed will outweigh fear. Foreign investors will probably take the odd stock market scandal

Profits from running trains will depend on track charges, says **Richard Tomkins** hink of it a few years from now, Britain's railways will be largely run by the private sector. Gone will be the surly employees, the lack of information, the delays and cancellations. Private railway companies will com-

Difficult journey to private sector



Network SouthEast, Regional Railways and Railfreight — each of which meets its track costs out of general revenues. When one business sector runs a train over another sector's tracks, the track owner has no idea how much it should be charging the train opera-tor for the trip. Instead, it charges a token fee intended to reflect the marginal extra cost of accommodating the extra train.

The significance of this system is that it artificially inflates the profitability of train services which get cheap rides over other sectors' tracks. To take the most notorious example, the Gatwick Express, a high-frequency InterCity service running between London Victoria and Gatwick Airport, makes big profits because it runs entirely on Network SouthEast's tracks, so paying only a marginal contribution towards its track costs. Freight trains, too, run largely on other sec-tors' tracks. Services like these are virtually the only ones on British Rail which make profits.

All this could change once a proper system for charging track costs has been set up. Just conceivably, an accurate identification of costs will reveal that some services have been losing less money than previously thought. More likely, the bigger impact will be the revelation

that the profitability of the few apparently hicrative services is illusory, so further reducing the prospects of getting the private sector

Efficiency gains may enable the private sector to bring lossmaking services into profit. But British Rail's latest figures will serve as a warning of the acute vulnerability of railways to swings in the economic cycle. Moreover, will the private sector seriously be interested in entering such a business with 48 per cent of its costs not only fixed, but under the control of a state-

BR: back into the red. Profit/loss (£m). 1982 85" 87 89 "91 92

owned monopoly supplier?
Paradoxically, the services which turn out to be the most attractive to the private sector may prove to be those with the poorest commercial prospects. Ministers have sheard made it clear that subsidies to Net-work SouthRast's committer services and Regional Ranways trench lines will continue after private the private translation. The government envisages franchising out these lossingle ers for periods of five or 10 years to whichever private sector company requires the smallest subsidy to tun them.

For the private sector, the clear appeal of this set up is security. trol over revenues fares on subsidised services would doubtless remain under political control, and levels of service would be specified under the terms of the franchise. Any subsidy would therefore have to be based on a formula which protected the franchisee from down

aranteed profit
There are, however, strong object tions to such an arrangement. It seems almost inconceivable that the Treasury would be prepared to lock itself into a deal that required it to subsidise guaranteed profits for the not so much on the slow track as up private sector. It would also go against the buffers.

against Treasury principles to accept fiscal obligations stretching years into the future, particularly if they extended beyond the date of a

they extended beyond the date of a general election.

Neither is it clear how passengers would benefit from the deal. With revenues fixed, a franchisee would have little or no incentive to improve services. Rather, its best option for increasing profit would be to cut costs – a move unlikely to result in more or better services.

And where, besides, would franchisees obtain their rolling stock? New trains are extremely expensive; the fleet on order for Network SouthEast's suburban lines in London and Kent, for example, is costing British Rail some 2500m. Unlike

buses or aircraft, trains tend to be custom-huilt for the routes they serve, so they cannot easily be bought or sold on any after-market. No private-sector company could invest so much in assets which would be at risk of being rendered worthless if a franchise were not

More likely, franchises would come complete with whatever Brit-ish Radl rolling stock was already in use in all probability, franchisees would end up taking on British Rail's staff, too. But then, one has to ask, if the assets and the people were to stay the same, would privatisation make any difference?

t is possible to be optimistic. After all, the same question could have been asked of any of the other utilities and corporations that have undergone privatisation: yet most of them have been transformed by change of

The catch in this case is that, although there may be a change of management, a franchise arrange-ment would leave ownership of the assets with state owned British Rail. One of the biggest potential benefits of privatisation is the opportunity it offers to take railway investment out of the straitjacket of the public sector borrowing requirement. If that opportunity is thrown away, there is every reason to sup-pose that the rallways will continue

to be dogged by inderinvestment.

Two possible conclusions may be drawn from all this. The first and most depressing is that, for all the fuse and fantage that will accompany the write pager and subsequent legislation; privatisation will be beginned unput the all the first the control unput the same transfer the control of the control go largely unhoticed by the railway passenger. The likes of Stagecoach and Virgin may find profitable niches for the odd private-sector italia Josamaking services on a handful of rural branch lines may be tentatively franchised out; but the vest majority of passenger services will continue to be operated by the same old British Rail in the

SECULAR SECULAR SECULAR SECULAR

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same old way. But there is an alternative. The prospects for rail privatisation would be transformed if only the private sector could see a way of making an acceptable return from do so is that expensive to use railways simply cannot compete with cheap roads.

The success or failure of privati-sation will therefore hang on the government's willingness to level the playing field between the two modes. That means either pumping massive subsidies into the trackturns in traffic beyond its control. massive subsidies into the track-in other words, it would shipy a owning side of British Rail to guaranteed profit. users, or heavily increasing the cost of using the roads. Neither option is attractive; but if the government falls to choose one of them, privati-

Edward Mortimer

A Greek tragi-comedy

Macedonia should be recognised without further delay



the total.

In any contest for the silliest political statement of 1992, the following paragraph from Mon-day's FT will surely be a strong runner: "Under pressure

from Greece, EC leaders said they were ready to recognise Macedonia's independence provided it chose a name which does not include the term With this affair the absurdity of

nationalism has reached its acme. Not that the absurdity is all on one side. A Greek friend has given me a copy of a Macedonian leaflet which not only shows Macedonia stretching to the Aegean, with the southern half of it "under the Greek terror of occupation since 1913", but insists that Alexander the Great and Aristotle were not Greek, and that the Macedonians of today are not "Slavie". You and I may imagine that Macedonian is a Slavic lan-guage closely related to Bulgarian and more distantly to Serbo-Croat. Russian, Polish etc, but apparently the boot is on the other foot. "The Macedonians were not 'Slavicized'," the leaflet says. It was the Slavs who were "linguistically Macedouianized, ie they accepted the ancient Macedonian language as their own which deteriorated over the centuries into the languages we know today as Russian, Ukrainian, Polish, Slovakian, Serbian etc."

A lot of the blame seems to fall on the Byzantine empire, under which "the Macedonian and all other nations were subdued to massive denationalisation and assimilation, a process that entails the denial of the most fundamental human rights ... To an Australian this may seem absurd," the leaflet adds, "but is not unusual when an Athenian

government has territorial aspirations towards her neighbours. indeed, Australians might not be alone in deploring the human rights record of the Byzantine empire. The leaflet's citation of such ancient injustices to support a contempoalist document, worthy to be included in political science text books. But it is only a leaflet, published by (or in the name of) the Macedonian community in Austra-lia. By using it and other similar documents to prove that the very use of the name Macedonia is a threat to Greek territorial integrity. the Greek government is bringing itself down to the authors' level. The Macedonian government has given assurances that it harbours

It is an old mistake to suppose that you can legislate away the ideology of other people's nationalism

no such irredentist claims, and has even written those assurances into the constitution of the state. Greece does not accept them as sincere, given the history and ideology of Macedonian nationalism. But why should a change of name be any more sincere or permanent?

It is an old mistake to suppos that you can legislate away the ide ology of other people's nationalism Arabs have thought the same about Jews, and Israelis about Palestinians. You can make agreements with people about what they will do or not do, and you can take precautions against their failure to deliver. But people's beliefs and desires can only he changed by experience, not by requiring them to sign loyalty oaths or friendship treaties, and

still less by asking them to change

their name. If the Greek principle were to be accepted throughout the EC, Belgium should long ago have with-drawn recognition from the Grand Duchy of "Luxembourg", a state which by so calling itself lays claim to the adjacent Belgian province of the same name. And France can hardly continue to recognise a neighbouring country as "la Grande Bretagne" without fearing the loss of the smaller Bretagne on its own

side of the Channel.

It would all be irresistibly comic if it were not so likely to end in yet

another Belken tragedy.

Of all the ex-Yugoslav republics, except Slovenia. Macedonia is the one that best qualifies for international recognition. Its government controls its territory, and has won the support of the ethnic Albanian minority. Yet if not helped to con-solidate itself rapidly it is vulnera-ble to destablisation and even partition, especially if fighting breaks out between Serbs and Albanians in meighbouring Kosovo. Albanians in Macedonia would want to help their kith and kin. Suspecting that they were doing so, Serbia would all too likely take action against Macedonia. Bulgaria and even Turkey might then feel they should come to Macedonia's assistance, while Greece would be tempted to come in on the Serbian side.

The stage would thus be set for a full-scale Balkan war, vintage 1913. The best way to avert this would be to recognise Macedonia now and admit it to the UN, so that all UN members would be obliged to respect its integrity. If the EC is held back from doing this by its need for unanimity (though this did not seem to inhibit Mr François Mitterrand on his excursion to Sara-jevo), then let the "sole remaining



PERSONAL VIEW

How Britain can resolve the Danish dilemma

By Leon Brittan



The British presidency of the European Community begins today. Six months ago, when it

planned, the agenda was clear completion of the single market, ratification of the Maastricht treaty, working towards the first with luck, a budget deal too.

That remains the agenda, but the Danish referendum has transformed the political context. It should have come as no surprise that last week's European Council concluded that formal negotiations with applicants for membership could only start after Maastricht had been ratified. That may mean a delay. It need not be a long one and important preparatory work can proceed meanwhile. More significantly, the commitment to enlargement by Britain's partners was new and genuine. It provides a sound hase for advancing this vital presidency objective. As for the budget deal, there

was never any real prospect of agreement at Lisbon last week. It was always clear that such a deal could only be reached during the course of the UK presidency. The sharpness of the argument on this issue at Lisbox shows how hard this will be. Yet it is very much in the interests of the UK presidency to secure a deal, and to avoid annual wrangles weakening the EC for the next five years, so as to help clear the way for enlargement negotiations.

But the main new item on Britain's agenda must, of course, be to help resolve the problem caused by the Danish yote. The strategy is clear: for all the other countries to proceed with ratification, whether by referendum or by the parliamentary routs. In the autumn when it is evident that the rest of the Community wants to go shead with Meastricht, the Danish government will be asked for ideas on clarifications, amplifications or protocols which would enable it to

ask its voters to think again.
What those ideas will be, it is difficult to say. It is likely that what will be needed is a way to reassure the Danes that the it should exercise a self-denying juggernaut. If that can be lem can only be resolved by done, a service will be done to the Community as a whole.

Governments may value the Community as it has developed since the mid-1980s. And the meny applicants clamouring for membership may share their enthusiasm. But the Danish referendum demonstrated

Sir Leon: We can laugh at EC rules of biblical proportions

in some member states. Strengthening that essential. support can best be done by giving effect to subsidiarity. Roth the Commission and the member states under the British presidency will have to work out a practical programme for determining the st level for taking decisions.

What is the best level of control? Who should decide? Is too much attempted at a Suropean level? All of these questions will need specific answers. The debate is not new.

seen as something for the theologians of Community law, but as something

intensely prac-tical where to draw the line between what m is best done by billiard-cus tip the Community, and what is makers would be less amused best done by national governif their product was excluded ments. Even if the Community from France as a fire hazard.

That is not a quotation from has for some time held this

view. It is something I said myself in a lecture in 1989. Some examples where power can be handed back come

the fragility of popular support . need for the EC to continue to set or police standards of drinking water. National ministers could take back responsi-

bility in this area. Other sorts of "interference" may seem pettifogging, yet they are indispensable if a single market is to be created and maintained. Should Germany, for example, be free to decide unilaterally, in the name of the environment, on packaging laws which operate in practice to restrict trade from other member states?

Again, we can all have a "Subsidiarity should not be laugh at the Commission's expense when

the EC pro-The Commission duces a regula-tion of biblical has a duty to act proportions defining, say, as a referee and the acceptable will not betray that obligation tos in a billiardcue tip. But UK

> A further problem is that in certain key areas the national governments are divided about the limits of Community action. Social policy is an obvi-

ous example. In listing some of the more obvious difficulties with the concept of subsidiarity, I do not mean to say that the problems are insuperable. In the competition field, for example, I think we are already estabreadily to mind. There is no

lishing a good balance between what should properly be decided and controlled at European level, and what is better handled nationally.

Take state aids. Those who resent the Commission's increasing temerity in control-ling national subsidies are quick to argue that such powers should be returned to national level in the name of subsidiarity. Yet that would be wholly inconsistent with the Treaty of Rome and the Common Market itself. It would be a return to the law of the jungle in which rich, nationally cosseted companies were free to trample upon less privileged competitors at huge cost to European productivity and jobs. The Commission has a duty to act as a referee and will not betray that obligation.
What we should do, and indeed have recently decided to do, is to introduce a de minimis rule: a level of aid below which the Commission no longer requires member states to notify their subsidies because aid below that level does not harm competitors. Unnecessary bureaucracy can in this way be avoided. That decision must now be implemented.

On the mergers side, it may be that more can be done to reduce bureaucracy, for example, by developing a common form for filing notifications either with the Commission or member states.

More radically, some suggest there is no need for the Commission to retain its sole right to grant exclusions from the general prohibition on conpanies in the Treaty of Rome. That deserves examination, but the potential benefits must be balanced against the possi-bility that such an innovation could introduce market distortions resulting from different interpretations of Community law, varying quality of member states' anti-trust legislation and the rigour with which

These may seem technical issues, dwarfed by the more glamorous objectives of the British presidency. Yet subsid-iarity is crucial. The concept is introduced into Community Maastricht treaty. Getting its application right, interpreting it and explaining it properly could do a great deal to build public confidence in the next phase of the EC's development. And it is on its ability to enhance public confidence throughout the Community that Britain's presidency may ultimately come to be judged. The author is EC competition

national laws are applied.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Realities of airline competition

From Mr Declan P Conroy. Sir, Mr Thomas McDonogh (Letters, June 24) is badly misinformed. His most seriously misguided allegation refers to airlines he considers to be technically bankrupt. Aer Lingus utterly rejects any such allegation. The company not only has its shareholder's original investment intact but has also accumulated considerable reserves. The last published accounts show an original investment in Aer Lingus of IR£74m, with accumulated profits of IR£324m reflecting shareholder's funds of IRE398m, with a gearing ratio

of 109 per cent. On a number of other issues Mr McDonogh fails to include reality in the picture he paints. Aer Lingus, a "national car-rier" whose staffing levels and cost base are in line with both private and state owned airlines, is the most punctual airline in Europe, hardly a sign of "inefficiency". In a survey of the top 1,000 Irish companies conducted by Mr McDonogh's Air Transport Users Committee, Aer Lingus has been voted "Airline of the Year - 1992". This award was secured in the face of competition from airlines such as Lufthansa, Delta, SAS, and Air France.

To suggest that little or no competition exists on most Declan P Conroy,

routes in Europe is absurd. In the markets Aer Lingus serves. over 30 airlines operate both scheduled and charter flights. Aer Lingus, Dublin Airport, Dublin

Environment is an issue for EC, not nation states

From Mr Simon Hughes MP. Sir, I am a strong supporter of devolving power to the lowest level at which it can most usefully be wielded, which is one way of interpreting the Euro-doctrine of subsidiarity. But the proposal being aired at the Lisbon European Community Summit to return many environmental powers to nation states are, quite frankly, bonkers.

Take the example of bathing water quality. Your article on the Summit outcome ("A state of limbo in Lisbon", June 29) suggested that Chancellor Kohl of Germany viewed bathing water quality as a prime candidate for return to nation states. He is ignoring the simple fact that pollution and environmental degradation are no respect ers of national boundaries nor coastlines.

The toxic waste which Britain still dumps in the North Sea does not necessarily stay in British territorial waters, but could well end up blackening beaches of other EC

All fired up, but not sure famous international trading where to go port, or the Yorkshire town well to the south of Neuchâteau, to where coals have been taken before now. Take From Mr Bernard Everitt. Sir. The conferences and

exhibitions advertisements in Bernard Everitt, the FT (June 29) announce under the International section Yorkshire Bank Retail Services a conference on "The future of the Yorkshire Coal Field", to

As Britain takes up the presi dency of the Council of Ministers one of the key tasks of the Community in the next few If Britain cannot break the

that the old West Germany suf-

neighbours.

years will be to bring together nations to protect and promote the environment diplomatic deadlock over the setting up and siting of the proposed European Environmental Bureau then the envi-

ronment secretary, Michael Howard, should push forward with his idea of an environmental inspectorate. It is better compliance with EC law that is needed - not a retreat from Community-wide

laws to protect one country from the pollution of others. Simon Hughes, Liberal Democrat environment spokesperson, House of Common

London SW1A 0AA be held in the well-known continental resort of "Rotherdam". This could either be the

your pick!

Continuing role at Harvard Business Review

From Ms Rosabeth Moss Koveter

Sir, An inaccurate and misleading article about the Harvard Business Review appeared in the Financial Times on May 29 ("Those who teach. . ."). I remain editor of a finan-

cially strong and editorially excellent magazine. I will not be relinquishing the duties associated with this leadership position, as your

story stated, but will be accepting responsibilities as vice chairman of the board of directors of a proposed new Harvard Business School Publishing Group, which will include books and videos as well as magazines.

I have been editor for more than two years; and I would characterise my association with the Harvard Business Review as a time when the magazine has gotten stronger

It is a sign of strength that we are preparing to establish a professional publishing organisation off-campus, led by publishing professionals. Rosabeth Moss Kanter, professor. Harvard Business School,

editor, Harvard Business Review, Soldiers Field, Boston, Massachusetts 02103, US

The choices undermined by Sunday trading

nations. Mr Kohl should have learnt that lesson from the From Mr Tim Montgomerie. Sir. Freedom of choice is decades of unchecked pollution quite properly a cornerstone of fered from its East German modern western society, but classical liberals generally agree that our freedom must be exercised within a conducive social framework. Adam Smith and Edmund Burke deemed that framework to be one where there was a great deal of fellow feeling or "sym-pathy" for those around us with a particular stress on the family, on the local and on intermediate institutions: Burke's "small platoons".

In your advocacy of Sunday trading (leading article, June 26) you fail to demonstrate any understanding that an exten-sion of economic choice in this area may undermine other

Sunday is the day when families and friends can enjoy time together and it is the day when elderly people receive most attention. It is the traditional Sunday pause in the economy that allows space for vital social contact: to examine the Sunday issue only in terms of individual choice neglects the important family dimension Many small, independent retailers may also be forced into closure by big store competition and this could be very damaging to some communities and especially pensioners depend on local outlets.

Given the relatively inelastic demand for most of the goods in question it must also be highly doubtful as to the economic worth of Sunday trading. Capital may be better used but labour costs will be higher. Any advantages will go to the retailers who do open and win trade from six-day traders. More and more traders will therefore be forced to open, causing an escalation of costs all in pursuit of a very limited amount of custom. Tim Montgomerie,

Conservative Christian Fellowship, 46 Baker Street, Exeter EX2 5EA

OBSERVER

Capability Brown

If someone had suggested a week ago that the toast of transatiantic tittle-tattlers Tina Brown was going to edit a Serious magazine like the New Yorker, the idea would have. been treated with the same ort of disbellef that greeted he rumours that she and her iusband. ex-Sunday Times ditor Harold Evans, were eturning to London to run he Observer.

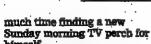
However, it is a sign of how nigh she stands in the stimation of the New Yorker's reclusive publisher Sy Newhouse that he should believe her capable of reversing the fortunes of America's best known high-minded, not to say high-brow, magazine. Now osing around \$12m yearly, it hadly needs livening up.

Brown has certainly done a wonderful job revamping Vanity Fair. Since taking the editor's chair in 1984, she has nearly quadrupled its circulation to 1m, and managed to keep advertising rising in the midst of a steep

Perhaps she will prove to be cast in the same mould as Harold Ross, the New Yorker's first editor, who had a genius for picking talented writers even if he did not always understand what they were writing about.

But whatever the likes of Dorothy Parker and James Thurber might have thought about her arrival, the main thing is that she should keep up the cartoons.

Breakfast serial Meanwhile, it's good to see that David Frost, that other well-known transationtic media star, has not wasted



Having been dumped; rather stupidly, by the new owners of the FTV breakfast TV franchise, Frost has taken a big pay cut and defected to the state-owned channel. He switches on January 3.

. His new programme ~ Sunday Breakfast with David Prost - will fill an obvious gap in the BBC's coverage. But it may upset some of the Beeb's panjandrums to find that Lady Thatcher and Sunday Times editor Andrew Neil, two of the corporation's sterner critics, think Frost's Sunday morning current affairs show is the best around.

Floor price

A company that moved into shiny new City premises in June 1991 paid £31 a square foot, with an 18-month rent-free period.

In expansive mood, it has just taken up extra space for which it's paying only £20 a square foot, with 31/4 years cent-free

Corporate heart It's nice to know that Sir Adrian Cadbury's committee on corporate governance is not going to be the last word. on the subject. BTR chairman Sir Owen Green has already complained that Cadbury's report was long on accountability and short on encouraging efficiency. Now comes another challenge, this time from the lateral thinkers

at the Royal Society for the encouragement of Arts, Manufactures & Commerce. The Society, whose past initiatives include the Great Exhibition of 1851, is running a two-year inquiry which started last year and goes

under the title of Tomorrow's



"If I were a dictator,

Company. Unlike Cadbury, who accepted the existing framework of accountability with reservations, the Royal Society's enquiry asks dangerously fundamental questions. What are companies for? Who do they exist to serve? What responsibilities do they have to groups other than shareholders?

Like Sir Owen, the man in charge of the programme, Mark Goyder, thinks that the present system lays too much emphasis on the investor. The most valuable input in most of today's more important products is not materials, says Goyder, but knowledge; yet we scarcely know how to

Taxing issue ■ A battle royal has developed in Malaysia between the Sultan of the staunchly Muslim state of Kelantan and Anwar Ibrahim, the country's finance minister. It's all about whether the Sultan paid a trifling M\$2.1m in import tax for a Lamborghini sports car. Originally, the car had been

held by Malaysian Customs

on its arrival at Kuala Lumpur

airport. Then the Sultan turned up - and simply drove the car away. At first, the government, in the person of Anwar, insisted that the import duty on the Lamborghini had to be paid. The Sultan dug in his heels. Last week, the government said the proper procedures had been followed and the issue was now settled.

Not so, says the Sultan. He says he has not paid any import tax. Furthermore, the Sultan's palace has issued a statement insisting that the government and Anwar make a public apology for the undue

Credit rating

■ How marketable is a former Maxwell non-executive director? Very, it would seem judging by the experiences of Lord Rippon of Hexham, who has just been elected president of the Institute of Credit Management - replacing Sir Kenneth Cork, who died last autumn after 26 years as the

institute's president. The former Tory cabinet minister went on the board of Maxwell Communication Corporation in 1986 and resigned at the beginning of

The institute says the president of Invesco MIM, and former chairman of Robert Fraser & Partners, inter alia, is an eminent public person, who has had interests in areas relevant to credit managers.

Due regard Overheard at Department of Trade and Industry headquarters. First receptionist (filling out visitor's form): "Is it President Second receptionist: "No,

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FINANCIAL TIMES

Wednesday July 1 1992



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Clinton noses ahead as **Bush and Perot squabble**

By Jurek Martin in Washington

GOVERNOR Bill Clinton has been the instant beneficiary of a sharp political confrontation between President George Bush and Mr Ross Perot, the prospec-tive independent US presidential candidate

A Washington Post-ABC News poll out yesterday has Mr Clinton, the likely Democratic nominee, rising from third place to first in the election race. It is the first time this poll has put Mr Clinton ahead and relegated Mr Bush to third place, albeit by margins the pollsters consider statistically insignificant.

The poll gave the Arkansas governor 33 per cent of support, Mr Perot 31 per cent and Mr Bush 28 per cent, against 36 per cent for Mr Perot, 30 per cent for Mr Bush and only 26 per cent for Mr Clinton three weeks earlier.

It is the second leading poll within a week to suggest that Mr Perot's support may have peaked.

Democrats who had been attracted to his candidacy, with his support among them dropping to 24 per cent from 35 per cent earlier. Most of the support returned to Mr Clinton.

Although the Post poll did not ask specific questions about Mr Perot's alleged investigations into the Bush family and his charges of a Republican "dirty tricks" campaign, more than 40 per cent of those surveyed said the more they knew about Mr Perot the less they liked him. While Mr Clinton's two rivals

have thrown invective at each other - with the revelations that Mr Perot had ordered private investigations of the Bush family in the 1980s producing a tart response from the president -the governor has been portraying himself as the moderate, policyoriented voice of reason.

This seems to have paid off with two in three respondents in the Post survey saying they had heard of his recently unveiled economic plan, and about half

Ilnlike Mr Bush, Mr Clinton has also managed to shape a Democratic party platform very

much in his image.
Although platforms often mean little in the heat of a presidential race, this one offers few bostages to fortune by way of expensive and quintessentially liberal pol-icy commitments. It makes much of "traditional" family values, an issue which Republicans and possibly Mr Perot have sought to make their own.

Mr Bush will still have to fight off Republican critics of his stand against abortion. The Supreme Court's refusal on Monday to overturn the landmark Roe vs Wade judgment, as Mr Bush wanted, may take some of the heat out of the issue, since it left the demarcation lines in the debate blurred, but it leaves the president out on a limb.

Mr Bush must be concerned by his falling ratings. For an incumbent president to be running third, even at this early stage of a volatile campaign, does not con-stitute a ringing endorsement.

Phased approach likely to Russian reforms

THE PARIS CLUB of western creditor governments is likely to agree a rescheduling of the former Soviet republics' \$650n for-eign debt before a full pro-gramme of economic reforms is agreed between Russia and the International Monetary Fund, Mr. Nicholas Brady, the US treasury secretary, said vesterday.

He said it was one of the few times that a debt restructuring would be agreed before the sign-ing of an official "standby" economic programme with the DAF. However, provisions would be inserted so that if an IMF standby were not finally agreed, the restructuring would be

Mr Brady confirmed that west-ern nations were likely to favour a "phased approach" to Russian economic reform at the Munich summit next week of leaders from Group of Seven biggest industrial nations. Russia would receive \$1bn from the DAF in the form of "first tranche" of funds. representing a quarter of the \$4bn that will be available once ment is reached on a full

standby programme.

The advantage of a first tranche payment is that it involves fewer conditions than a standby, thus increasing the chance of agreement between IMF and Russian negotiators. First tranche agreements are rare, but have been used before with India, Venezuela, Chile and

The Paris Club deal, however, is controversial because other debtor nations have been expected to sign a standby agreement with the IMF before being granted a debt reschedulin

G7 leaders are expected to sup-port this special concession as a way of indicating support for President Boris Yeltsin's reform efforts even if IMF talks remain

On the wider agenda for the Munich summit, Mr Brady said the US's top priority was to seek nomic growth. He said the US would push for lower world interest rates, but he expected the main focus to be on fiscal mea-

He said Japan's plan for a Y7,000bn to Y8,000bn (\$55bnfigorical stimulus appounced at the weekend was "important. significant and different". It was potentially as big a stimulus as that announced in 1967, he said.

Mr Brady declined to say he was satisfied with German flocal policy, but he praised Bohn for its recent steps to contain its budget deficit. His careful language suggests the US is seeking to avoid a row on interest rates

Mr Brady said another central objective at Munich would be to make progress on the Uruguay Round trade negotiations. He said efforts to achieve freer trade ought to be a top priority. It mat-tered for the US because much

President George Bush, in another sign of support for Mr Yeltsin, yesterday also announced the US would accelerate the release of credits to Russia allowing it to buy \$300m of farm products starting today.



Former British prime minister Mrs Margaret Thatcher, now Baroness Thatcher of Kesteven was sworn in at the House of Lords in London yesterday by its speaker the Lord Chancellon

ICI, Calgene start patent war

By Paul Abrahama in London

IMPERIAL Chemical Industries and Calgene, a Californian company, are trying to squash each other's tomato patents.

The tomato war broke out yesterday when each claimed the other has infringed its patents for genetically improved longerlasting, non-squidgy tomatoes. At stake is a significant slice of the world's \$10hn fresh tomato

Both companies have developed tomatoes which retain their flavour and firmness longer. Each pinpointed an enzyme that makes tomatoes rot and then

Unfortunately, they both ked the same enzyme. Yesterday the US Patent and Trademark Office said their patents were similar and would investigate which was valid. Calgene's

product is called Flavr Savr. Once decided, the winner could once deciden, the winner course make significant profits from the US processed tomato paste market worth about \$4.2bn a year. ICI plans to hit the processed. tomato market in 1995 with an improved fruit which makes naturally thick paste for use in ketchups and sauces.

But the companies are not intent on driving each other out of the market. Mr Simon Best, business manager of the fruit and vegetable activities at ICI Seeds, says the company was prepared to negotiate a compro-mise with Calgene. "Although we have no immediate plans to contact Calgene, the lines are

However the companies may need to be thick skinned. If they do not reach a compromise them selves, the Patent and Trade-mark Office would adjudicate, at bearings which would start in

Meanwhile, Mr Best says, the race is on to use the technology to stop peaches, plums, apples, apricots, pears, papayas, bananas and avocado pears

April 27, 1992

recent job creation had been linked to export growth.

The \$300m is part of a \$600m Russian credit package amounced on May 6. Half of the package was not due to released before August 1.

US sends in ships to back aid effort for Bosnia

Continued from Page 1

gency aid on Monday, in the wake of the dramatic visit by President François Mitterrand to Saraievo on Sunday, three Prench aircraft flew in yesterday. two from the Croatian port of Split and one from Paris with signals equipment.

In London, Mr John Major, the British prime minister, said the UK was ready to operate four humanitarian flights a day. Royal Air Force Hercules transport aircraft were ready to take off at short notice, he told the House of

But Mr Major continued to take a cautious approach towards any involvement of British troops in military action in Bosnia. "We don't at present have ground

action in mind," he said.

Some 1,000 Canadian UN "blue helmets" have begun moving from Croatia by road and are expected to secure and restart normal activity at the airport tomorrow, provided the fragile

ceasefire remains in place.

Although there has been a relative lull in the fighting three UN military observers were slightly injured by shrapnel as shooting continued near the airport. Sarajevo radio quoted medical officials as saying that 11 peo-ple had been killed in Bosnia during the past 24 hours, four of them in Sarajevo.

Mr Ejup Ganic, a member of the Bosnian presidency, warned civilians trapped in the city against being too optimisticabout the improvement in the sit-uation. The handing over of the airport is only one step towards unblocking the city," he said in a talavidon broadcast.

Lord Carrington, the European Community's peace envoy, said in London he hoped to visit Sarajevo later this week to see whether the stalled peace talks could be revived. The former British foreign secretary said he did not expect to be able to bring this point.

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THE LEX COLUMN

The confidence factor

The first quarter jump in the UK savings ratio to 11.5 per cent is such apparently depressing news that the natural response is to scramble in search of mitigating factors. One pos-sibility is that election uncertainty prompted consumers to save more. Another is that bonness paid early to escape Labour's punitive taxation plans were all tucked away in savings accounts. On both counts one could expect the ratio to have dipped again in the second quarter. Add in the fact that real earnings have continued to grow, and the first quarter rise could be dismissed as a blip.

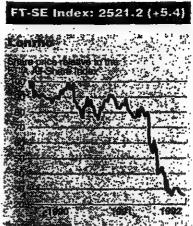
The nagging worry is that this is only part of the story. The available ence hardly suggests a sustained pick-up in consumer demand since the election, even though interest rates have been cut once since then. Indeed, this week's Mintel survey showed con-sumers still unwilling to increase credit card debt even to take advantage of discount prices in sales. In today's disinflationary environ-

ment it has become much harder to predict when consumers will become ess wary. Part of the problem may be a painful adjustment to the sharp decline in nominal pay settlements. Next year's tiny pay increases will do little to reduce the burden of this year's debt. Then again, rising real disposable incomes should eventually leave consumers comfortable with their existing borrowings. But confi-dence will hardly return until house prices recover and unemployment peaks, or at least starts rising more slowly. Both developments require cuts in interest rates on a scale which looks out of the question until well

Most economists who have cut their growth forecasts to around zero for this year have worked into their motions a savings rate stuck at around 10 per cent. So yesterday's fig-ures do not suggest immediate need for a further lowering of expectations for 1992. Still, it is becoming harder to rule out the possibility that the UK will succumb to a vicious cycle in which chronic lack of confidence condemns the economy to chronic reces-

Lonrho Lonrho's interim figures contain

fresh evidence of the perplexing rate-at which cash is draining out of the business. While the interim balance sheet takes in disposals of £500m, net



2903m. Allowance has to be made for D26m of off-balance sheet debt couselidated in the period. But that still implies an underlying cash outflow of £182m in the space of six months, which is somewhat disquieting for a group whose market value is only just

over £500m. In such a context, the fact that the slashed interim dividend is only 5 per cent covered by earnings seems almost irrelevant. That is not to say that the profit and loss account makes cheerful reading. Net profit before extraordinaries has fallen from 550m to film. That is struck after film of property disposals taken above the ine. From the viewpoint of cash flow, it does not help that £13m of the interest charge has been capitalised.

The market seemed to take some heart yesterday from Mr Rowland's promise of much improved profits in the second half. But until it becomes clearer what is happening to cash flow, there is no point in attempting to value the shares on a fundamental

Anglian

Of all the UK companies which pushed the button for a midsummer float, Anglian's decision looked smartest at the time. That apparent postelection surge in consumer confidence, it was assumed, would not only translate into economic recovery. The impact when it came would be demonstrated first by renewed activity in the housing market on which double-glazing manufacturers such as Anglian at least partially depend.

Such rosy expectations have since

yesterday's offer price is perhaps 12 per cent below what the company might have hoped for just a couple of weeks ago, and 20 per cent less than what some of the more optimistic ven-ture capitalists had earlier pencilled in. Even at 210p, however, the shares

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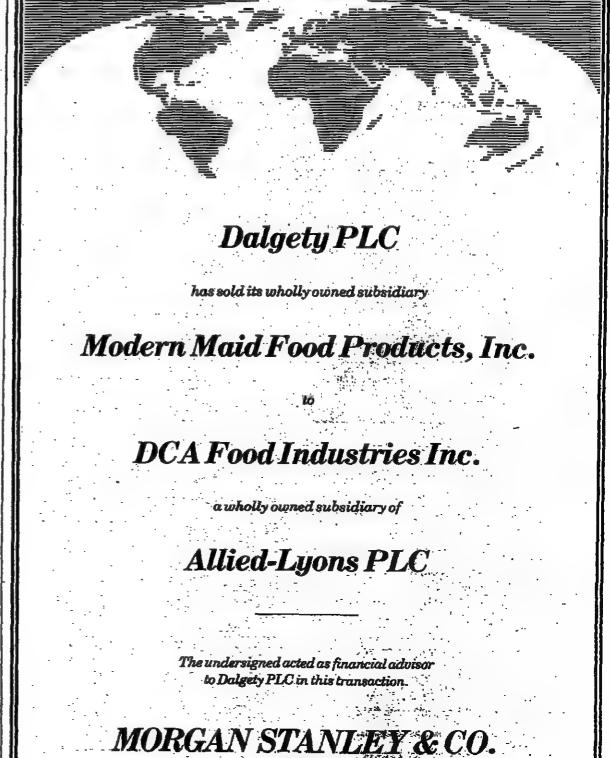
are not necessarily a bargain.

Admittedly the 12.2 times historic earnings multiple - or perhaps a point less than this prospectively - looks attractive by comparison with businesses which share some of the same features such as Hepworth, MB Caradon and Wolseley. A 5.5 per cent yield, moreover, is hardly stingy: Anglian's two times cover should permit some sort of dividend increase this year. The difficulty is that the nature of the product and the company's narrow dependence on it justify at least part of the differential. The rest could arguably be explained by still unrealistically high ratings elsewhers. The best that can be said is that there are few short-term risks in subscribing; with institutions deeply reluctant to increase their weightings in an unfashionable sector, though, investors should not expect much excitement in the after market.

Markets

At the close of the second quarter, it appears that this column's suggestion at the start of the year that UK investors would be better off in cash was slightly on the gloomy side. According to County NatWest's preliminary calculations, the return on cash so far in the UK is 5.2 per cent. This beats UK equities, with a return of 5.0 per cent, but lags long glits with 8.9 per cent and index-linked with 6.6 per cent.

This is consistent enough with a low-growth, low-inflation environment. Oddly enough, though, even UK equities have done well in an international context. Leaving aside the hor-rors of Japan, where this year's total return has been minus 29 per cent in local currency, the London market has managed to outperform Wall Street, whose total return has been approximately zero. But there is one important caveat. Almost all the return from the UK equity market so far has been in the form of dividends. As the year proceeds, it is becoming apparent that dividends paid to date have been posited on an over-optimistic view of the economic cycle. This is the more unfortunate if, as seems logical, it turns out that in a non-inflationary environment income is all that mat-



FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday July 1 1992 **OTHE FINANCIAL TIMES LIMITED 1992**



INSIDE

Ercros risks its future on talks with banks

The struggle to save Ercros, Spain's largest chemicals group, moved nearer resolution last night when its board decided not to file for protection from creditors and to risk its future on negotiations with creditor banks today. Ercros, 40 per cent owned by the Kuwait investment Office, employs 10,500 people in chemicals, mining, tertiliser and explosives busines owes banks and suppliers more than \$1bn, half of which matures this year. Page 20

DEC and Olivetti deal final hand The deal last week under which Digital Equipment (DEC) of the US will take up to 10 per cent in Olivetti of Italy is one of the last hands in a poker game which has occupied Europe's computer makers for the past half decade.

Taking BMWs to Germany

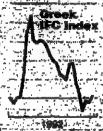


When US-built BMWs start rolling off the duction line in a few years, it will not only be Americans kicking the tyres, feeling the paint and testing the quality. Since some of the cars will be exported, choosy German buyers will also

close-eyed scrutiny. BMW chairman, Mr Eberhard von Kuenheim (above), says the plant will eventually have a capacity of up to 70,000 cars a year. Page 22

Mild winter dents Anglo United Angle United, owner of the Coalite smokeless fuel business, cut its dividend vesterday and renegotiated its debt repayment schedule as pre-tax profits for the half-year to end March tall by 48 per cent in the wake of the mild winter and the continuing effects of the recession.

Summit boost for Greek shares



It took a political victory to bring life into the Athens stock market this week. The Athena general index rose 7.9 per cent on Monday to 878 in response to unexpected European Community backing for Greece on recognition for Macedonia. At the minister Mr Coristantine

Mitsotakis persuaded other EC leaders that the former Yugoslav republic should change its part of northern Greece. Back Page

French appointments review

The French cabinet will today decide whether the heads of 15 state-controlled companies will. keep their jobs in the third phase of its regular. three-yearly review of top jobs in the public sector, Page 28

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debt figure by £135m.

Fiat completes its retreat from telecoms

FIAT, Italy's largest industrial company, has completed its retreat from telecommunications with the sale of its remaining activities to a Luxembourg-based company made up of a group of French banks.

Aleatel Alsthom, the French industrial group which bought most of Fiat's telecoms activities in 1990, will have a four-year option to buy the stake from the

transaction, worth L1,100bn (\$950m) will give Fist a £860bn capital gain this year, helping it to close 1992 with a profit which will be "lower but still positive", said Mr Gianni Agnelli, chairman

Mr Agnelli gave no forecast for this year's dividend, cut by almost 40 per cent last year. However, Flat executives said the group's industrial activities would show an operating profit in 1992 in spite of the mounting problems in the car business and last year's heavy losses at the NH Geotech earth-moving equipment subsidiary, the Iveco lorries operation and the Magneti Marelli car

components unit.
Turnover at the Flat Auto car subsidiary in the first half of this year was 6 per cent below the corresponding period in 1991. Analysts had been expecting

Fiat, which is undergoing a L47,000bn five-year investment programma, to make further dis-

prop up its earnings. However, yesterday's telecoms deal came as a surprise. Fiat is selling its 25 per cent stake in the business created in 1990 from the sale of its Telettra telecoms sub-

sidiary to Alcatel. Under that transaction, Fiat retained a 25 per cent stake in Alcatel Italia, the company formed from the merger of Telettra with Alcatel Face, the French group's Italian opera-

Finparcom, a Luxembourg-registered company mainly made up of French banks, is paying

L850bn for the stake.

Meanwhile, Alcatel will pay Fiat around L260bn in annual instalments over the next four years. The sum represents a form of "deferred dividend" on the stake being sold, Flat said. Mr Agnelli forecast that group

sales would reach around L60,000bn this year, up from L58,029bn in 1991. The group's net financial position, which recorded a L270bn

deficit at the end of last year,

would deteriorate further

because of investment spending

and extraordinary restructuring Fiat revealed it would be pumping between \$500m and \$600m into NH Geotech for a recapitalisation this year. The company, which has debts of around \$1bn, had lost around \$120m in the first

Kimberly-Clark in European venture

known for making Kleenez tissues, is forming a joint consumer products group in Europe with VP-Schickedanz, a German consumar products company.

Terms of the 50-50 venture were not disclosed, but the combined company is expected to have annual sales of more than \$1.2bn and a workforce in Europe of more than 5,000 people.

The US and German companies said they aimed to become a leader in the Enropean consumer products market. Around two thirds of the estimated sales of the new company are expected to come from the German compa-

ny's existing operation. Kimberly-Clark said it would contribute all its consumer products operations in continental Europe to the venture. It said it would exclude these businesses in the UK and Ireland and its European specialty products and service and industrial businesses.

Mr Wayne Saunders, chairman of Kimberly-Clark, and Mr Peter Fischer, president of VP-Schicke-danz, said in a joint statement that the new partnership would take advantage of "complemen-tary marketing, manufacturing and technological strengths".

Kimberly-Clark included greater KIMBERLY-CLARK, the US access to German-speaking marin Spain and Italy.

Mr Fischer said the new company would offer VP-Schickedanz an increased presence in the French and Benelux markets. and give it access to Kimberly-Clark's technological expertise. Kimberly-Clark's consumer

products factories are in France and the Netherlands. Brand names include Kleenex tissues, Sopalin towels and Kotex and Freedom feminine-care products. VP-Schickedanz, based in Nuremberg, has plants in Germany,

France, Italy and Spain. Its \$840m of 1991 sales included Tempo handkerchiefs and Demak'up cotton pads. In Germany, VP-Schickedanz claims a leading position for its Camelia feminine-care products and it Bess tissues. Kimberly-Clark, with 1991 sales of \$6.8bn and a global workforce of 41,000 people, employs 1,200 in its continental European con-

sumer products businesses. VP-Schickedanz employs 4,000 in Europe. It is a subsidiary of Gustav and Grete Schickedanz Holding, with 50,000 employees and annual sales of about \$10bn. On Wall Street vesterday, the Kimberly-Clark share price rose \$1 % to close at \$58 %.

Lonrho cuts dividend as profits fall 65%

By Roland Rudd in London

LONRHO, the international

trading conglomerate, yesterday reported a 65 per cent fall in pretax profits for the half year to the end of March and cut its interim dividend from 5p to 2p per share. A combination of the continuing effects of the recession and technical problems at the South African Western Platinum mine saw pre-tax profits decline from £109m to £38m (\$72m). Earnings per share fell from 9.3p to 0.1p. Profits before taxation would have been worse without property disposals accounting for

\$12m (£9m) including £7m (£1m) relating to associates. Net borrowings fell from £1,095m to £903m. Although asset sales realised £500m, borrowings remained high after £100m of capital expenditure and the acquisition of majority ownership of Gewog, a German holding company, which inflated the overall

. The £500m gained from asset disposals also included £177.5m from the sale of a one-third stake in the Metropole Hotel chain. Part of this sum went towards eliminating borrowings associated with the Metropole chain.

that to cut overall debt in a recession without a loss of income is

He added that further disposals would take place over the next six months, further reducing debt, and predicted a much better second half.

Shareholders' funds, excluding minorities of £433m, remained unchanged at £1.3bn. Lonrho's tax charge as a percentage of pre-tax profits increased to 63 per cent (20 per cent). Estimated tax was £24m (£22m).

Mr Spicer said the cutting of the dividend had mitigated its advanced corporation tax problem - corporation tax payable on the company's UK profits are not large enough to offset the ACT payable on its dividends.

Net interest payable fell slightly from £54m to £52m. A further £13m (£12m) was capitalised during the period. The group has cash of £283m (unchanged) 80 per cent of which is deposited with European banks. Pre-tax profits fell in all of Lon-

rho's businesses and geographi-cal areas. Southern Africa suffered the biggest fall, from £32m to £3m, due to technical problems at Western Platinum and the fall in the price of precious metals. Mr Paul Spicer, deputy chair-man, said: "You have to admit Market, Page 33

United Parcel Services' purchase of Carryfast makes it a major player in Europe. But can it succeed where FedEx failed? Nikki Tait reports

on the airport tarmac. In the vast hangars nearby, local students are pulling packages off and on conveyor belts, for a princely \$8 an hour. In the course of one night, more than half a million parcels will come and go.

The remarkable feature of this operation - a typical night for United Parcel Services air divi-sion - Is that it did not exist 10 years ago. The Atlanta-based company dates back to 1907, but for most of its life it has been a cheap, reliable "ground deliverer" of bulky parcels within the US. Mud-coloured vans earned UPS the nickname "Big Brown"; its image was similarly dull.

The extent to which UPS has tried to change all that was demonstrated this week. The Atlantabased company announced it was buying, for an undisclosed price, Carryfast, the UK's largest privately-owned express delivery company. The deal adds 8m packages to UPS's annual total of

Carryfast is the last main link in UPS's European delivery system, the 16th purchase in a seven-year build-up which has cost more than \$1bn. A decade ago, UPS did not own an aircraft and did not move express packages between the US and most foreign countries. Suddenly, it has become a large player in the European market, with an owned fleet of more than 130 iets.

All of which would be fine, except that Federal Express (FedEx), the largest US express delivery company and a rival of UPS, has just terminated an important European expansion

The cause was simple: losses running at more than \$100m a quarter, and mounting. Since FedEx and UPS are chasing similar customers - a business-oriented market that wants a speedier, more convenient service than national post offices can offer -and UPS is also making losses in Europe, this raises a simple question: can UPS succeed where

FedEx failed? · Part of the answer may lie in the company's character. UPS has been in the delivery business its founder. Mr James Casey, sent motorcycle messengers around Seattle in the early 1900s. These homespun origins are still apparent today. UPS is markedly devoid of business school whizz-kids and its chairman, Mr Kent Nelson, began his career in an indiana customer service department.

At home, the company has a reputation for conservatism; it clung to listed prices when competitors were wooing customers with discounts. But when the company does move, it tends to do so with immense deliberation.

BP hopes to be cash positive by year-end

By Neil Buckley in London

BRITISH Petroleum said

yesterday it would accelerate the cost-cutting and debt-reduction programme it had in place before last week's surprise resignation of Mr Robert Horton, chairman and chief executive, and hoped to be cash positive by next year.

In the first presentation of corporate strategy since Mr Horton's departure – although the meeting was arranged well before last week's boardroom coup - Mr Steve Ahearne, chief financial officer and a BP board member, spoke to analysts. He said the company would accelerate its asset disposal programme, cut capital spending and continue to improve productivity.

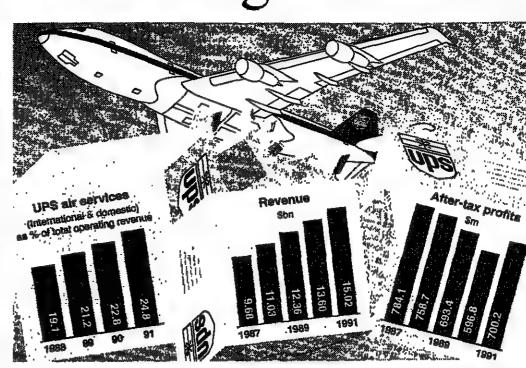
He refused to comment on BP's dividend policy. Speculation that BP may halve its dividend has seen its share price fall from 243p to close at 203%p yesterday.

One analyst said yesterday's presentation showed that while the style of management might alter, the substance - with the likely exception of dividend policy - would remain little

Mr Ahearne said BP hoped by next year to begin reducing its £8.5bn (\$16bn) debt burden. This would be achieved by improving productivity, and continuing cutting operating costs by \$750m a year by 1994, though competition might dilute that. Capital expenditure would be cut by 25 per cent to \$5bn in both 1993 and 1994, from \$6.5bn this year.

Asset divestment in non-core businesses is to be accelerated, with a target of between \$1.5bn and 82bn this year and in 1993. Market, Page 33

It is one o'clock in the morning in Louisville, Kentucky. Big Brown' delivers a challenge to rivals



UPS's structure is an important factor. In spite of its size - revenues of \$15bn make it the world's largest parcel delivery business - its equity is privately owned, mainly by employees. UPS has also made no large acquisitions recently. The result is long-term debt of \$830m at end-1991, comcared with shareholders' funds of \$3.9bn. "UPS has long pockets," says one analyst, "and it is able

deliveries and expand internationally." He says that by the end of the decade, around one-third of UPS's revenues will come from

Third, the fact that FedEx has, to some extent, retreated from the European market may make life easier for the remaining play-

Even so, competitors are quick to point out the potential hur-

A decade ago, UPS did not own an aircraft. Now it has a fleet of more than 130 jets

and competition. FedEx is trying to cling to its entrenched posi-tion, while Airborne Express, a

low-cost operator in the business market, has carved out an effective, undercutting niche.
In the ground deliveries sector, there is pressure from imitators, such as Roadway, UPS, although solidly profitable, saw its US ground volume decline last year. The US ground market was maturing," says Mr Donald Layden, UPS's director of interna-

tional operations. "The opportu-

nity was to move into express

dles. Part of the problem at Second, UPS cannot afford to FedEx was the difficulty in integfail. The US express delivery rating national ground-based tional, air-oriented network.

One rival said: "It's a different mentality. A domestic driver picks the goods up and delivers them; with an international delivery, you need some idea of customs regulations and all that. International express is also very time-sensitive - Federal found that some of its drivers just saw these packages as another deliv-

A second problem is the market itself. One reason why the likes of FedEx and UPS were attracted to Europe was the

dawned, trade barriers would fall, companies would become increasingly multinational and cross-border packages would flow. In reality, there has been an increase in delivery capacity and a smaller upturn in volume. FedEx recently estimated the Intra-European overnight market at just 100,000 packages a day, compared with 3m in the US.

Third, although FedEx has given up trying to deliver for itself in most of Europe, some large rivals - including Brussels-based DHL, with whom UPS once considered merging, and Austra-lia's TNT - are less likely to abandon the fight.

Competitors have no doubts that UPS is trying to force the issue. "They're a real a thorn in our side," says one rival, "They're very competitive and must be losing hundreds of millions of dollars a year.

UPs's response is phlegmatic. Mr Layden clings flercely to his stated goal of profitability in Europe by 1994, although he admits that blending of the numerous businesses acquired is

"a very big management task". With 20,000 employees in Europe, and a Sibn-plus investment at stake, Mr Layden cannot afford to be wrong, Even so, UPS may find that travelling is the easier part. It is usually harder to arrive.

Uniting for the

On 30 June 1992, Devon Systems International Incorporated and ICCH Financial Markets Limited (IFM) announced Devon's intended acquisition of the worldwide business interests of IFM.

> Devon is internationally pre-eminent in the supply of applications software for trading all derivative instruments. IFM provides advanced systems and services for futures and options markets.

The combined forces will become the world's largest R&D and support group dedicated to serving clients in all exchange markets. They will integrate the best products from both companies. To create unrivalled solutions for the trading, management and settlement of exchange instruments.

Devon's commitment to providing market standard products now extends across all capital markets activity. Pre-eminence has been founded on financial strength, innovation, service and excellence.

These are the qualities by which Devon intends to prosper, alongside its clients, throughout the 1990k

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INTERNATIONAL COMPANIES AND FINANCE

Ercros future depends on talks with creditor banks

By Peter Bruce in Madrid

THE struggle to save Ercros. Spain's largest chemicals group, moved a step closer to resolution last night when its board decided not to file for protection from creditors and to risk its future on a series of negotiations with creditor

Mr Jose Piquet. Ercros' managing director, said last night that he had ruled out a suspension of payments. "If we do not get new funds this company will last only a few days Ercros. 40 per cent owned by the Kuwait Investment Office (KIO), employs 10,500 people in chemicals, mining, fertiliser and explosives businesses. It owes banks and suppliers more than \$1bn, half of which matures this year.

The KIO has made clear it is prepared to see Ercros go bankrupt rather than make new funds available without parallel assistance from other shareholders and the Spanish gov-

Officials close to the company said that a meeting with the Industry Ministry in Mad-

rid had gone "very well" and that the government had indicated that it was prepared to try to help the company, although it could not make new funds available.

While no promises have been made, the company seems to interpret this to mean Madrid will try to intercede on Ercros behalf to slow the flood of imported fertilisers into the country and to pressure the state-controlled Banco Exterior, the group's largest creditor with \$200m of loans outstanding, to be helpful in renegotiating the debt today.

By Alice Rawathorn in Paris

THE French cabinet will today decide whether the heads of than a dozen state-controlled companies will keep their Jobs in the third phase of its regular three-yearly review of top jobs

In a surprise move, Mr René Thomas is expected to stay on as chairman of Banque Nationale de Paris, the biggest French bank and a significant investor in French industry. Mr Thomas, 63, had been expected to resign this summer as he will reach the mandatory retirement age of 65 within his

However, the government

By Alice Rewathorn in Paris

THE FUTURE of Adides, one of

the world's leading sporting

goods groups, was unclear last

night as management waited

for a response to its DM1bn

The offer, put together by Mr

Rene Jaggi, chief executive,

expired at midnight last night.

However, Adidas said yester-

day it had received no response

from its controlling share-

holder, Bernard Tapie Finances

(BTF), the holding company

that represents the interests of

BTF, which announced on

(\$659m) buy-out bid.

difficult to find a suitable successor. Last night, the BNP board voted for Mr Thomas, a close friend of President François Mitterrand, who has headed the bank since 1982 despite a period of ill-health, to be reselected. Ministers are expected to confirm this

Ministers are also expected to endorse the appointment of Mr Gilles Menage, former head of President Mitterrand's private office, as chairman of Electricité de France, replacing Mr Pierre Delaporte, who reaches the mandatory

The cabinet is expected to confirm the nomination of Mr

Future of Adidas hangs in balance

Monday that it had also

received two other offers for its

55 per cent stake in Adidas,

said it was still considering the

management offer and would

continue doing so "for the next

• Euro RSCG, the marketing

services company formed last

year by the merger between

Eurocom and RSCG, the

French advertising agencies,

expects to produce profits of up

to FFr220m (\$43m) in 1992, its

Eurocom made net income of

FFr183m in 1991, a fall of 5.2

per cent on the previous year.

RSCG, burdened by heavy

debts, made an estimated over-

first year of operation.

has reported to have found it Louis Gallois, currently

Jean Peyrelevade at Union des Assurances de Paris, Mr

all loss of FFr230m in 1991.

record profits until 1993.

SMCL the French property

group, does not expect to

Mr Michel Pelès, chairman,

said the company was in the

throes of the "worst crisis

since its foundation in 1943".

SMCL which is controlled by

the Pelège group, went into the red last year with net loss of FFr155m (\$30m) compared with

Rhône-Poulenc, the French

chemicals group, is negotiating

with Great Lakes Chemical

one of its main US competitors

over the sale of SFOS, a specialist subsidiary making addi-

profits of FFr24m in 1990.

tives for lubricants.

Parents foster Europe's computer makers

Europe's computer man-ufacturers to tie up with a larger, better resourced partner is virtually at an end

The deal secured last Priday, through which Digital Equipment (DEC) of the US will take up to a 10 per cent stake in Olivetti of Italy at a cost of almost £200m, (\$370m) is almost the last throw in a poker game which has occupled Europe's faltering com-puter makers for the past half-

Their struggle to secure a lifeline to the future, however, is becoming a sideshow to the main event: the battle between US computer giants to ensure their technology stands a fair chance of becoming the world standard.

That was the principal reason DEC was prepared to pay well over twice the market price for a share in a loss-making Italian manufacturer with no certain path back to profitability.

European manufacturers, penalised by small, insular markets and rising research and development costs, have been seeking relief in strategic alliances since the 1980s. ICL of the UK found a wealthy parent in Fujitsu of Japan two years ago. Nokia Data of Finland was in turn purchased by ICL. International Business Machines of the US earlier this year spent \$100m to take a small stake in Groupe Bull of

Of Europe's large players. only Siemens of Germany is left unpartnered. It, however, may be in no mood for courtship. It is still fully occupied systems company Nixdorf, which it bought last year, and is the only European company which may not need a partner either for financial or technological reasons.

Olivetti needs both. It lost \$387m last year and revenues

are falling. It has shed 25 per cent of its workforce in the past two years, but further cuts may be necessary if it is to reach its goal of a return to profitability this year.

Although it has developed

some excellent products,

including the Quaderno small

notebook computer, it relies

heavily on the US and Japan

In particular, it needs a reli-

able source of Risc (reduced

instruction set computing)

microprocessor chips. Risc

chips are fast and powerful.

They are the microprocessor of

choice for scientific workstat-

ions; within a few years, they

are expected to power most

personal computers and medi-

This is the largest and fast-

est-growing sector of the com-

puting market. It is also an

are expected to conform to

industry-wide standards

open" market where systems

This is the heart of the mat-

ter. Competing Risc suppliers, which include IBM, Hew-

um-sized computer systems.

for basic technology.

will design the Risc chips into their systems, so driving up

Sun Microsystems, for examtechnology to a wide range of companies including ICL.
IBM's deal with Bull and DEC's deal with Olivetti, however, indicates that Risc suppli-

Alan Cane examines the era of strategic alliances

after Digital takes up to a 10% stake in Olivetti

ers are now prepared to trade

off equity funding against Risc

"design in".
Olivetti currently builds

machines based on Risc tech-

nology from Mips. Mips, how-

ever, has a question mark over-its future. It has just been

acquired by Silicon Graphics

and one of its principal supporters, Groupe Bull, has defected to IBM following

the deal between the two

companies earlier this

A deal, Olivetti will now use DEC's Risc chip,

the Alpha microprocessor in

future products. The Alpha chip is the most advanced of

its kind. When it launched the

chip earlier this year, DEC claimed it had the performance

of a small supercomputer. It

also claimed that, by 2000, 80

per cent of businesses in

s a result of last week's

their Risc technology as the technology in some shape or industry standard. That form The Olivetti deal is a clear prerequisite for that pre-diction to be fulfilled. means, inevitably, forming alli-ances with competitors who

DEC has currently no share of the European Risc market, which is dominated by Sun with almost a 60 per cent share ple, has licensed its Spare Risc. followed by Mips (19 per cent). IBM (10 per cent) and Hewlett-Packard (8 per cent). Olivetti talked to both Hew-

lett-Packard and IBM before agreeing the deal with DEC

with whom it has had an alli-

ance (one of the 229 Olivetti

claims in advertisements)

stretching back over 20 years.

Olivetti already provides DEC

computers a year for sale in

with about 100,000 personal

For Olivetti, the advantages

of the deal are threefold. It

gains an injection of equity

capital at a time when its resources are heavily stretched it has access to an advanced Risc technology

around which to design work-

stations and personal comput

And it has a US partner to share the burden of future

product development (an sar

lier alliance with AT&T, the

US telecommunications group,

Olivetti's recent advertising

emphasising the number of its

alliances has been widely seen

as an attempt to reassure cus-

fell apart in 1989).

pany's lack of a larger partner.

advantages and disadvantages vantages. It has a partner to help disseminate its Alpha Risc technology. Through its equity partnership it has a better foothold in Europe and access to Olivetti's distribution channels. And it opens the door to further co-operation between the two companies in commercial and technical areas.

DEC today, however, is a giant with feet of clay. The world's third-largest IT supplier with sales of about \$13bn, it lost more than \$500m last year and has not made a profit in the any of the first three quarters of 1992.

In Europe, it is still assimilating last year's purchase of Kienzle from Mannesmann and the minicomputer operations of Philips of the Netherlands.
It failed to exploit three of the major elements of the modern computer industry; personal computer, high performance workstations and open systems. It desperately needs to make a success of its Alpha technology if it is not to become one of the industry's

So both DEC and Olivetti have powerful reasons to make a success of the joint venture. Questions which remain unanswered, however, include the fate of Mips, now a falling star among Risc suppliers, and the position of Siemens. It may have no need of a partner, but it is the last big European target for America's jostling Risc

Paris to decide more top jobs

in the public sector.

chairman of Snecma, the aircraft engine maker, as head of Aerospatiale, the aircraft and missile maker, succeeding the retiring Mr Henri Martre. All three existing chairmen in the insurance sector - Mr

Michel Albert at Assurances Générales de France, and Mr François Heilbronner at Groupe GAN - are expected to be renominated for another three years.
The reselection of Mr Francis

Gutmann as head of Gaz de France and of Mr Philippe Rouvillois as chairman of CEA. the atomic energy commission are expected to be endorsed.

lett-Packard, Sun Microsystems, DEC and Mips, all of the Pirelli unions seek meeting

By Haig Simonian

UNION leaders at Pirelli, the loss-making Italian tyres and cables group, yesterday sought an urgent meeting with Mr Giulano Amato, the new prime minister, to discuss the plant closures announced by the group earlier this week. As part of its plan to return

to profitability in 1992, Pirelli announced the closure of a tyre plant at Messina, in Sicily, with the loss of 720 jobs, and a further 300 redundancies at its Tivoli plant, near Rome. Earlier this year, Pirelli

announced the loss of 500 jobs in the Milan area.

Yesterday, unions called an eight-hour strike for today and threatened to occupy the works destined for closure. The latest job cuts in Italy follow a number of redundancies and plant closures at Pirelli's foreign operations, aimed at cutting costs and raising productivity through plant re-

structuring. The company announced ear lier this week that it had broken even at the operating level in the first five months of this

Italgas operating margin up 7%

By Haig Simonian in Turin

ITALGAS, the quoted Italian gas and water distribution company which is controlled by the state-owned BNI petroleum and chemicals group, raised operating margins by 7.3 per cent in the first five months of this year.

Sales of gas and water increased in Italy and in foreign markets, said Mr Carlo da Molo, chairman. Gas sales in Italy rose by 3.3 per cent in the first five months of 1992, in spite of relatively mild weather, while water sales

jumped by 63 per cent in volnme terms, thanks to contracts to supply a further 42

sharp fall in the group's share price earlier this week, Mr da Molo expressed confidence about the certainty of supplies from Algeria following contacts with politicians and other parts of the ENI group.

Italgas is pushing ahead with its strategy to expand abroad, notably in eastern Europe and Latin America. Mr da Molo revealed that it intended to tender for a number of regional gas companies due to be privatised in Hungary, in spite of stiff competition from other big

17 July 1992

18 July 1992



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By The Chase Manhattan Bank, N.A. London, Fiscal Agent



2175,000,000 FGIC Guaranteed Funding Ltd Floating Rate Moles due 2001 parameted as to the Scheduled payment prantiped as to the Scheduled payang of Principal and interest purposes to a Sourhy Bond lesued by Minestell Gueranty Insurance Company

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Penad from June 25, 1952 to Applember 25, 1952 to Applember 25, 1952 to Applember 31, 1952 to Applember 31, 1952 to Applember 31, 1952 to Applember 31, 1952 to Applember 31, 1952 to Applember 31, 1952 to Applember 31, 1955 to Applember 3 interest payable on Sectlember 29, 1995 will amount to £24,517.62 on each \$900,000 Note: By: The Classe Hambatter Busk, M.A. Landon Branch, Agent Busk
July 1, 1992 CHAR

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S.G. Warburg & Co. Ltd. Agent Bank

Nationwide SWEDBANK (Sparebankernas Bank)

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Notice is hereby given that the notes will bear interest at ... 5.2625% per annum from 30 June, 1992 to 30 December,

Interest payable on 30 December, 1992 per USS 10,000 note will amount to US\$267,51_

Agent: Morgan Guaranty Trust Company JPMorgan

The rise in operating profits stemmed from a 30 per cent fall in net financial charges and rigorous cost controls as well

as the higher sales, he added. Last year, the group made net profits of L91bn (\$76.21m) on sales of L3,853hn.

Mr da Moio calmed fears about a possible interruption in gas supplies following this week's political upheaval in Algeria, which supplies about a quarter of Italy's natural gas

European gas groups.

THE RANDFONTEIN ESTATES GOLD MINING COMPANY, -WITWATERSRAND, LIMITED Registration Number 01/00251/0

(Incorporated in the Republic of South Africa) DIVIDEND A final dividend, dividend no. 114 of 60 cents per share has been declared it espect of the linancial year ending 30 June 1992:

Ast date for registration Registers close (dates inclusive) from

gy conversion date (for payments from London) 27 July 1992 7 August 1992 SHARE WARRANTS TO BEARER Holders of share warrants to bearer are informed that payment of the abo dividend will be made on or after 7 August 1992 upon surrender of coupon

no. 117 to Barclays Bank Pic., Stock Exchange Services Department, 168 enchurch Street, London ECSP 3HP. Coupons must be listed on forms obtainable from Barclays Bank Pic. and eposited for examination on any week-day (Samiday excepted) at least sever clear days before payment is required.

This dividend is payable subject to the customary conditions which may be inspected as or obtained from the company's Johannesburg Office or from the London saries, Barraso Brothers Limited, 99 Bishopsgam, London BC2M 3XIL By order of the Board

WESTERN AREAS GOLD MINING COMPANY LIMITED

Registration Number 59/03209/06 (Incorporated in the Republic of South Africa) NOTICE TO SHAREHOLDERS The Board has decided to pass the dividend in respect of the financial year ending 30 June 1992.

Head Office and Registered Offices casolidated Building Fox and Harrison Street Johannesburg 2001 P.O. Box 590, Johannesburg 2000

30 June 1992

August 3, 1992

Tender for the sale of BANCO POPULAR DEL PERU

Notice is hereby given of the sale, by tender, of 100% shares of BANCO POPULAR DEL PERU, a fully licensed Bank, established in 1899 in Lines, Perf., with 148 offices nationwide and a full branch with 13 offices is Bolivia; established in 1942. Total assets amounting to USS265 million.

t. Bases of the tender and prospectus with detailed information of the Bank and tender procedure may be obtained from the Bank at Jiron Hualiaga 380; Limas against payment of \$500.00. Signature of a confidentiality agreement will be required.

2. Bids must be for the whole stock in one indivisible block, and will be received in scaled envelope in Banco Popular del Perú, Invon Ucayali 375, Lima, Perú, no later than 09:00 am our Angus. 3, 1992 where they will be opened before Notary Public.

3. Amongst other conditions, bids must offer a minimum cash payment of USS1 million and documents representing Pentvian short term working capital foreign debt, current on interest payments and free of any legal

interested parties may obtain additional information by telefax numbe

A/S VARDE BANK US\$15,000,800 PLOATING RATE SUBORDINATED NOTES DUE 1994 In accordance with the previsions of the Notes notice is hereby given that for the period 30 June 1992 to 31 December 1992 the Notes will carry a rate of 5'/2 per annum with a coupon amount of 1582,311.11.

CHEMICALBANK

INTERNATIONAL COMPANIES AND FINANCE

\$1bn merger of US food wholesalers in balance

By Nikti Tait in New York

A-PROPOSED \$1.1bn merger between two of the largest wholesale food distributors in the US - Super Valu and Wet-terau - hung in the balance yesterday as the two companies tried to agree terms....

Under the outline merger agreement announced last month, Super Valu would have made a cash offer of \$30.20 for each Wetterau share, valuing its common stock at \$643.3m. It would also have taken on \$440m of outstanding Wetterau. debt. Ahead of this transaction, Missouri-based Wetterau would have "demerged" its retail subsidiary, called Shop 'n' Save.

Yesterday, however, Wetterau said that Super Valu wanted to revise terms. The new proposal was not dis-

By Sarbara Durr in Chicago

THE Aluminum Company of

America (Alcoa), the world's

largest aluminium producer, is

cutting 2,100 jobs from its

It will take an after-tax

charge of \$40.6m, or 48 cents

per share, on its second-quar-

ter results to cover severance

The company has been strug-

gling against a deteriorating cent to \$76m against \$97 aluminium market and said it the year-earlier period.

worldwide workforce.

edged that there would be a reduction in the amount-offered to shareholders. Wetterau shares, which were briefly suspended, had fallen by \$4% to \$26% by Banchtime in New York

The Wetterau board was due to meet during the afternoon to consider the reduced offer, and a decision was expected by early evening. It said that the new terms would only be disclosed it decided to go ahead with the deal. Analysts, however, were not over-optimistic that the transaction would be

Wetterau, quoted on the Nasdag over-the-counter market currently ranks as the national third-largest grocery whole-saler, while Super Valu has the number two spot. Together, the

was reducing its workforce to

combined operations would outstrip Oklahoma-based Fleming Companies as the nation's largest wholesale food distribu-

Separately, Super Valu announced first-quarter profits for the three months to June 20, totalling \$45.6m after-tax. This represented a sharp improvement on the \$31.6m seen in the same period a year earlier. However, earnings per share increased more mod-

estly, from 60 cents to 64 cents. Food wholesaling emoyed a 13 per cent operating profit improvement, despite "a slug-gish selling environment and deflation in the cost of products sold".

Retail operations showed a 75 per cent profits advance, but

Alcoa cuts 2,100 jobs worldwide

Aluminium products account

for between two-thirds and

improve competitiveness. The cuts will include hourly-paid three-quarters of revenues. workers as well as salaried Trying to soften the blow to its 65,000 strong workforce, the The low price of aluminium company said it would help battered the company's results during 1991 and the first quarminimise the cuts through attrition, transfers and early ter of 1992. Last year, 'Alcoa's retirements. It will also reduce net income fell 79 per cent to the number of jobs filled by \$62.7m compared with \$295.2m

outside contractors. Alcoa warned earlier this year that it was reviewing

cent to \$76m against \$97m in operations and that this would result in job reductions.

Waste Management sees earnings rise

in 1990, and its first-quarter

1992 results were down 22 per

By Barbara Durr in Chicago

WASTE Management, the a share of a year ago. leading US waste services company, expects second-quarter earnings to increase by about 23 cents a share to a total of

about 67 cents. This result reflects gains of an initial public offering of shares by Waste Management international and some special

Excluding these gains and special charges, the company expects that second-quarter earnings from operations will be in the range of 43 cents to. 45 cents per share. These represent a 10 to 15 per cent. 20 per cent by shareholders. improvement over the 39 cents

The Chicago based company expects to record a non-taxable gain of about \$240m, before minority interest, from the offering by Waste Management international, the company created to own virtually all waste operations outside North America:

Waste Management International is 56 per cent owned by Waste Management, 12 per cent each by Chemical Waste Wheelabrator Techand ' agement subsidiaries — and

The special charges include \$96m, after tax, relating primarily to a revaluation of the company's medical waste business and to charges on two Chemical Waste incinerators.

The company will also take a one-time, after-tax charge of \$71m for adoption of two new accounting standards.

These charges will not affect second-quarter results, but will appear in the earnings for the six-month period ending June 30, the company said. They are excluded from the 23 cent per share gain for the second quarter.

granted one-month

By Alan Friedman in New York

extension

A US bankruptcy court has approved a one-month extension - until the end of July of the deadline by which The New York Daily News has to file its reorganisation plan under Chapter 11 of US bankruptcy law.

The postponement will give more time for talks with prospective buyers of the New York tabloid, which was bought by the late Mr Robert Marwell in 1991.

The two main contenders for The News are Mr Conrad Black, the Canadian publisher who also owns the Daily Telegraph in London, and Mr Mortimer Zuckerman, the property developer who owns US News and World Report and Atlantic Monthly magazine.

The key issues for both bidders are the reaching of an agreement with the trade unions representing the news paper's 2,100 full and part-time workers and the settling of claims by the paper's creditors.

Mr Black has already offered to set aside \$75m for severance payments, working capital and his offer to pay between 25 and 50 cents on the dollar to creditors who are owed \$43m. Mr Zuckerman is believed to be his making proposals to union leaders this week.

CBS/FOX FILM, the home

video venture of CBS and Twentieth Century-Fox with Metro-Goldwyn-Mayer, said they have settled a lawsuit in which CBS accused MGM of cheating CBS/Fox out of video cassette rights to successful films, AP-DJ reports from New York. Terms of the settlement were not disclosed.

• A class action lawsuit has been filed by a New Jersey consumer against Sears, Roebuck, the US retail chain, on behalf of people who paid Sears for allegedly unnecessary and/or over-priced car

epair services, AP-DJ reports. The allegations include installation of parts that were not necessary, or charges for repair services that were not

Daily News | PaineWebber warns of lower profits

By Patrick Harverson in New York

IN THE first indication that Wall Street's phenomenal camings growth of the past year may be slowing, PaineWebber, the retail broking house, said yesterday that its profit in the second quarter would be below first-quarter levels.

Mr Donald Marron, chair-

man, said the company would report net income of between \$45m and \$47m for April to June, down from the record \$74.3m earned in the first three months of the year.

Second-quarter earnings, nowever, would still be better than a year ago, when the Total revenues of around

\$580m will also be sharply lower than in the first quarter. when revenues totalled \$874.3m. Although its performance measures imfavourably against the first quarter, the overall state of the securities business remains strong.

Although Mr Marron gave no specific reason for the fall in quarterly earnings, individual investor activity in US markets has slowed from the high levels seen in late 1991 and early 1992. Recent sales of stock funds have shrunk compared to first-quarter levels, as a stagnant equity market and rising bond vields made stocks

look less attractive.

Commission revenues, recurring fee business and broker productivity, however, remain strong, says PaineWebber.

Asset management remains an increasingly important part of its business, with repeat fees, mostly from managing customer assets, running at levels 20 per cent higher than a year ago. The company currently has just under \$100bn of assets in custody.

PaineWebber said remained committed to keeping a lid on costs, but it had increased its workforce recently, hiring about 390 new brokers and institutional salesmen in the past year.



Marron: expects lower second-quarter profits

Indocement raises a few eyebrows

William Keeling reports on reaction to the group's plans to diversify

NDOCEMENT, the largest quoted company in Indonesia, has been preparing to diversify away from cement for more than a year. But the recent announcement that it will acquire food companies and property totalling Rp1,720bn (\$848m) has raised a

few eyebrows in Jakarta. With a market capitalisation of more than Rp7.000bn, Indocement is part of the Salim Group, a loose collection of mostly non-quoted companies in which Mr Soedono Salim also known as Mr Liem Sice Liong, and reputedly Indonesia's richest person - is a leading shareholder.

Non-quoted companies in which Mr Salim has an interest hold more than 40 per cent of Indocement, which has a capacity of 9.4m tonnes a year and 52 per cent of the Indonesian market. It made a net profit of Rp308.6bn last year, a rise of 23 per cent over 1990, on sales of Rp771.3bn.

The purchases, which are all non-quoted companies from within the Salim Group, will give Indocement a debt-toequity ratio of 132 per cent. and a rights issue to reduce debt is not planned.

The principal acquisition is the assets of PT Bogasari Flour Mills, a flour milling company with an estimated 85 per cent market share in wheat flour. The purchase cost of Roi 179bn includes the assumption of about Ro350bn of debt. Mr Judiono Tosin, a senior official of the Salim Group and an executive director of Indoce ment explains there are benefits in buying the assets of

Bogasari but not the company as a legal entity. In this way, Indocement can double-depreciate many of the assets and reduce its mediumterm tax exposure. Bogasari will be taxed on the difference between the selling price and

the book value of the assets, but the company is not revealing what the book value is. Also being purchased is 51 per cent of the Indofood Group for Rp777bn. Its main product is instant noodles, made of wheat flour, in which it holds a

90 per cent market share. The final acquisition, for \$56m, is Wisma Indocement, a 23-storey Jakarta office building. Indocement and Bogasari already occupy 45 per cent of the building, which is fully let. Of Indocement's 13 commissioners and directors, Mr Salim and five others have announced an interest in the

companies being purchased. Mr Tosin says there is no question of private shareholders benefiting at the expense of the public company. "If Indocement purchases a non-group business, we [the Salim Group] regard it as a migration of funds," he explains.

The private side of the Salim Group, he says, plans to invest

in industrial estates, including Batam island off Singapore where it has a stake in the \$400m Batamindo industrial estate

The reaction of Jakarta's brokers has been mixed. The food sector has high potential growth and Bogasari has a cash-flow of about Rp160bn a year. However, Bogasari and Indofood dominate their sectors and expansion will depend on total market growth. Mr Tosin estimates instant noodle sales have grown 26 per cent a year since 1986, although Bogasari operated at only 71 per

cent capacity in 1991. Some brokers question whether, at \$2.900 per sq m. Wisma Indocement is overvalued. A stake in a similar building recently sold for \$1,900 per sq m, but Mr Tosin says the price is fair.

The brokers' main concern, however, is that the acquisitions increase Indocement's exposure to sectors regulated by the state.

Indocement maintains a close relationship with government. In 1985, the state took a 35 per cent stake in Indocement for \$320m after the company suffered substantial losses. Mr Sudwikatmono. president director of Indocement, is President Suharto's brother-in-law. The government sets a guideline retail

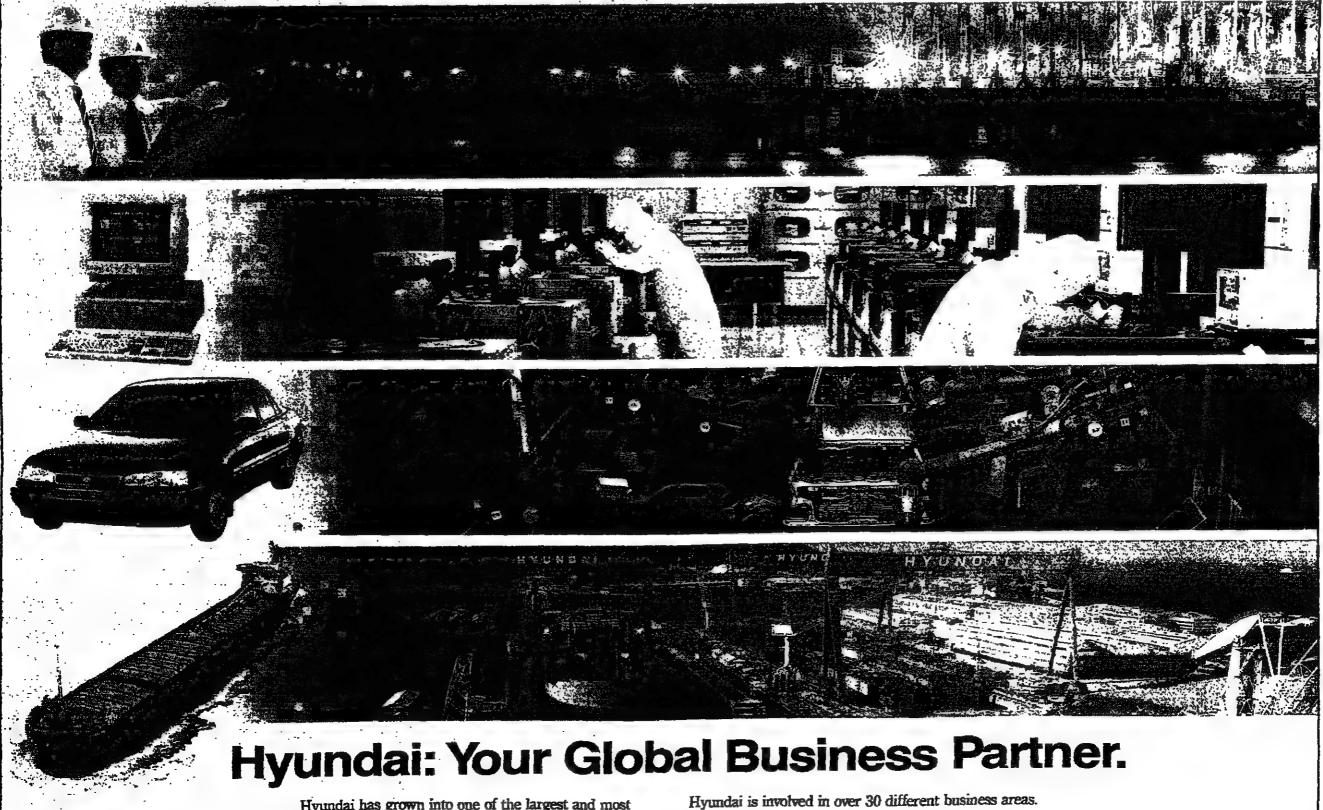
price for cement, currently Rp5.425 per 40kg bag, and authorises all imports and exports. Indocement estimates its gross profit margin at 45 per

cent in 1991. The next few years, however, may see trading margins diminish. Growth in domestic demand is expected to fall and the company may become more reliant on exports, where the price is lower.

The wheat and flour sector is similarly state-controlled. Bogasari is Indonesia's sole licensed miller of wheat and the sector is closed for capital investment except for new projects which export at least 65 per cent of production. However. Indonesia does not produce wheat and the govern-

ment is the sole importer. The World Bank is pushing for a review of the sector. A confidential report on Indonesia last month stated that "significant additional benefits would result from further dereguistion of agricultural products, especially sugar and

The government is preparing a deregulation package prior to a meeting of donors next month, but Indocement does not expect wheat to be included. Mr Tosin says the company would welcome a competitive environment but the pace of deregulation is up to government. "We don't have any say about that," he insists



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By Robert Thomson in Tokya

KYOEI Steel, a medium-sized Osaka steelmaker affiliated to has agreed to pay about \$343m for Florida Steel, a US minimill, joining a long list of Japanese companies to have taken stakes in the US steel industry. But Kyoei, aware that most

of the Japanese steelmakers have been badly bruised by the continuing weakness of the US industry, said the completion of the deal in October depended on agreement over the rationalisation of the strug-

gling US company.
Plorida Steel's parent, FLS Holdings, agreed to the acquisition by Kyoel, which makes steel hars and in 1983 established its own US subsidiary, Auburn Steel, Kyosi believes it has accumulated enough experience in the difficult US market through Auburn to make a success of

mese electric furnace steelma ker, has been encouraged to make the acquisition by a troubled domestic market for steel bars. The company, and other steel bar makers in the Osaka area, agreed to reduce production by as much as much 50 per cent in recent months to reduce an expanding inventory that has accompanied the slowing of the Japanese economy.

Difficulties at Florida Steel arose from a leveraged buy-out (LBO)in 1988 that was a response to a hostile takeove attempt. However, the LBO created debt that the company has been unable to service. prompting it to seek a friendly ourchaser.

Kyoei said the "know-how we have gathered from Auburn Steel will help us restructure" Florida Steel, though the company will "carefully examine business conditions in the US" and has left open the possibility that it may withdraw.

Hutchison Whampoa earnings may suffer

By Simon Holberton n Hong Kong

EARNINGS at Hutchison Whampoa, the Hong Kong trading, property and shipping conglomerate, will be hit severely this year if it succeeds in its bid to take private its associate Covendish International, analysts in the colony

The cost to Hutchison will be HK\$5.8bn (US\$750m) if a general meeting on July 10 approves its HK\$5.50-a-share offer for the 35 per cent of Cavendish it does not already own.

One of Cavendish's main assets is a 24.5 per cent stake in Husky Oil, a Canadian oil and gas producer. Hutchison also separately owns 24.5 per

The offer document for Cavendish shows that between the end of 1991 and March this

Husky depreciated by HK\$1.18bn. The combined write-down for an enlarged Hutchison would be in the

order of HK\$2bn, analysts said. Last year, Hutchison absorbed write-downs to the value of Husky's oil and gas reserves of HK\$760m. In the vear to December 1991, Hutchison posted profits of HK\$3.3bn down more than 5 per cent on the previous year.

Analysts are concerned that Hutchison's venture into UK telecommunications is not providing returns as quickly as hoped. Hutchison denies both

Mr Philip Tose, managing director of Peregrine, the Hong Kong broker, said that although Hutchison represented long-term value, the performance of Husky and UK telecommunications represented a short-term risk to Hutchison's earnings growth.

Andrew Fisher on the background to the German manufacturer's plan to build cars in South Carolina

HEN US-built BMWs start rolling off the South Carolina production line in a few years, it will not only be Americans kicking the tyres, feeling the paint and testing the quality. Since some of the cars will be exported, choosy German buyers will also give the models their close scruting.

Quality, for drivers on both sides of the Atlantic and elsewhere, will be a crucial test for the new plant. So will profit-ability. In the mid-1990s, it should be apparent whether BMW's investment of \$400m in the tough US market, where European imports have lost much of their cachet, has proved a costly risk or a valuable opportunity.

Some experts think the German company, which announced its US plant last week, had no choice but to go ahead. Mr John Hammond, managing partner of J. D. Power, the US car market research firm, says; "It's not a risk. I think it's absolutely mandatory. The risk is if they don't do it. The risk is trying to stay a worldwide player within the confines of ational boundaries.

For the harsh truth is that conditions in the US car market, the world's biggest with 8.2m cars sold last year down from 10.5m in 1988 have changed dramatically since the heyday of the mid 1980s when German car companies had a 45 per cent share.



Eberhard von Kuenheim: US costs are one-third lower

cent, although they are better represented at the upper end of the market.

There are four main reasons for the plight of German car turers in the US: • The decline in the dollar from a peak of DM3.47 in February 1985 to under DM1.60. This has hit US consumers ability to buy European cars and put their makers under extreme pricing pressures; • The rise of competition from

the Japanese, with efficient "transplant" production facili-ties in the US and snazzy models (built in Japan) which hit at the luxury and sports seg-ments of the market where the German companies had their strongest penetration: • The severe impact of the US

more expensive cars, with the recession and the subsequent population forecast to include concentration on value for more affluent people aged 45 to

money rather than the prestige of high-priced European

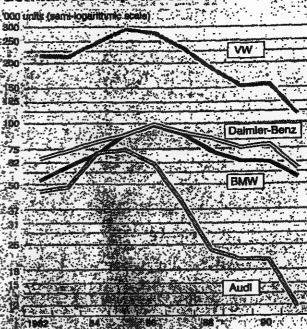
imports; • Germany's costs. Mr Eber-hard von Kuenheim, BMW's chief executive, says production costs in the US are onethird lower. Also, the approval process for new sites is quicker than in bureaucratic Germany. The start next year of the 36hour week will exacerbate the industry's problems. Last year, hourly labour costs - including generous social welfare benefits - were DM44 (\$27.80) against DM35 in the US and DM34 in Japan.

director at DRI Automotive Group, the London-based con-sultancy, says: "Life's got tougher. It's really hard at these continuing cost levels for German companies to make money at present exchange rates. The pricing umbrella they had is gone as the Japanese have come in and priced well underneath."

Moreover, "there is a new, more abstemious mood in the US". Hence the increased market penetration of lower-cost Japanese vehicles, aided by ressive pricing. For exampie, the up-market Lexus car, made by Toyota in Japan, costs \$44,000 in the US against DM95,000 (\$60,000) in Germany. So although the demographic profile of the US shows a

greater potential market for

German car exports to the US



55 that may not be translated . ers. that means Japanese cars into a surging luxury or near-

luxury car sector, Mr Hammond says: "Demographics is only half the story. People moving into these demographic categories are not buying luxury cars to the extent they did in the past." More important these days is quality at a favourable price there's more emphasis on the

To many American consum-

American production, gained 19 per cent.

VW, however, saw US sales drop 20 per cent in the first six months. This reflected that production of its new Golf and Jetta family models was still in the start-up phase. These are built in VW's Mexican plant, where DM1.5bn is being spent

on expansion.

Mercedes-Benz had a rise of 18 per cent. As with other upmarket manufacturers, it bene fited from the comparison with the low level of last year, affected by recession, the Gulf war, and the new luxury goods tax Mercedes has no plans for a US plant, though it will start

for local buyers.
Since Mercedes has a profit able truck operation in the US it is more immune to dollar gyrations. BMW buys \$400m worth of components a year in the US, but needs to raise this sharply to take advantage of

the low US currency. BMW is coy about the type of car that will be built in the US, although it will probably be initially a two-seat, soft-top roadster, based on the 3-series and priced at less than the \$30,000 luxury tax threshold.

Mr von Kuenheim emphasised that the plant, with a capacity of up to 70,000 cars a year, would be capable of building all BMW models. Buyers on both sides of the Atlantic will be keen to see how well the quality of BMWs made in the US compares with the Bavarian originals.

Singapore Airlines profit edges ahead to S\$576m

riers, yesterday reported net profits of \$\$576.3m (US\$356.2m) for the year to March, up 1.7 per cent from the previous year, AP-DJ reports from Sing-

Revenue rose 9.6 per cent to S\$3.36bn, while expenditure rose 11.2 per cent to \$\$2.75bn. the partly state-owned group

Asian routes were the largest contributor to revenue from 39.9 per cent. Europe contrib-

SINGAPORE Airlines, one of the world's most profitable carper cent and the south-west per cent and the south-west Pacific 11.8 per cent. Mr Joe Y. Pillay, chairman.

said: "We plan for an expansion rate averaging 8 to 10 per cent a year until the end of the

Singapore Airlines is considering an investment in Qantas, the Australian airline, to reinforce its position in a leading and growing market, Mr Pillay

Singapore Airlines has taken stakes in Swissair and Delta

Albania to form joint venture with Islamic bank

By Mark Micholson, Middle East Correspo

ALBANIA has signed an agreement with Arab Islamic Bank (AIB), a Bahrain-besed offshore banking unit, to establish a joint venture Islamic bank in the country with an authorised capital of

Mr Ilir Burhan Hoti, Albania's central bank gover-nor, signed the deal in Jeddah on Monday to establish the bank in which AlB will hold a 40 per cent stake and take the

management contract, with Albania holding the remain-

The bank will be the first of its type in the predominantly Moslem state. AIB said yesterday it expected the bank to be operating by next year and saw it as a first step, to be followed by setting up a com-

mercial bank in the country.

The hank, which will open with a paid-up capital of \$20m, will be called the Arab Albanian Islamic Investment Bank and will offer Islamic-style

NSW's GIO float closes fully subscribed at A\$1bn

By Bruce Jacques in Sydney

which have some 30 per cent of

the total market, or a US

model now that domestic com-

panies have been forced by

Japanese competition to

improve quality and styling.

Against this sombre back-

have recovered encouragingly.

the first five months and Audi,

the Volkswagen subsidiary also looking at possible North

BMW added 24 per cent in

round, sales of German cars

THE public section of the privatisation of GIO Australia, the New South Wales government's insurance company, has closed fully subscribed, with applications exceeding A\$1bn (US\$0.70bn).

The NSW government yester-day claimed the float as Australia's biggest retail capital raising, surpassing last year's offering of the federal government-controlled Commonwealth Banking Corporation which raised about A\$715m from non-institutional share

The GIO received more than 120,000 applications and plans to allocate 65 per cent of the flotation to individual shareholders. The balance is being offered to institutions under a tender system designed to determine a share price between A\$2.10 and A\$2.40.

The strong public response suggests A\$2.40 a share is likely to be achieved from institutional bidding. GIO shares are scheduled for listing in early August.

ALCATEL ALSTHOM

The Annual General Meeting of Alcatei Alsthom Compagnie Générale d'Electricité, which took place on June 25, 1992, chaired by Mr. Pierre SUARD, Chairman and Chief Executive Officer, adopted all the proposed

Annual and Extraordinary General Meeting June 25, 1992

After the presentation of the 1991 fiscal year, which resulted in a net consolidated Group profit of 6.2 billion French Francs against 5.1 billion French Francs in 1990, the Assembly approved the accounts of the Company for fiscal year 1991.

A dividend of 13.50 French Francs was also approved, plus a tax credit of 6.75 French Francs, to all 120.6 million outstanding shares as of January 1, 1991. This dividend will be paid, beginning as of July 1, 1992. Shareholders have the possibility for payment either in cash or in additional shares of the Company, at a price of 562 French Francs. These shares will become effective as of January 1, 1992. Each shareholder must exercise his cash or share option with respect to the entire amount of the dividend declared. This option can be exercised from July 1

The Assembly appointed Mr. Rand V. ARASKOG to the Board of Directors with a term of five years, ending at the General Meeting to be convened in 1997. The above two decisions are conditional upon the actual

to July 31, 1992, inclusive. Those shareholders who

have not notified the Company of their decision by

July 31, 1992, will receive their dividend payment

in cash, with payment commencing August 24, 1992. Shareholders approved the contribution made by the

American Group ITT of 4.55 million shares of Alcatel NV

The creation of these shares, effective January 1, 1992, brings the number of shares issued to 129.7 million.

paid by 9.1 million new Alcatel Alsthom shares.

transfer by ITT to Alcatel Alsthom of the total ITT holding of the shares of Alcatel NV. The decisions will become effective on the date of this transfer. This transaction permits ITT to become one of the principal Shareholders of Alcatel Alsthom. ITT has committed itself to hold this participation for a period of five years.

In addition, the Shareholders have also given the Board of Directors various authorizations for the possible issuance

In his address to the Assembly, President Pierre SUARD confirmed that Alcatel Alsthom had, in 1991, under depressed economic conditions, gained market share and achieved technological breakthroughs. While the current year can be considered in the same context as that of 1991, Pierre SUARD is confident that Alcatel Alsthom will achieve new growth in its 1992 financial performance.

Alcatel Alsthom contact:

Press information: Tel 33 (1) 4076 12 03 - Fax 33 (1) 4076 14 13 • Investor relation: Tel 33 (1) 4076 10 68 - Fax 33 (1) 4076 14 05

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in accordance with the provisions of the Notes, notice is hereby given that for the interest period from 29th June, 1992 to 29th September, 1992 the Notes will carry interest at the rate of 10.4375 per cent. per gentum.

Interest payable on 29th September, 1992 will amount to C252-35 on each £10,000 Note.

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THE GAN GROUP

Annual General Meeting of june 19, 1992 A net dividend of FFr 50.30 per share 4 new shares for I old share

At the Annual General Meeting (AG M) on June 19, 1992 presided over by the Charman, Monsieur François Heilbronner, the shareholders of Société Centrale du GAN approved the company's report and accounts for the year ended December 31, 1991 ■ The AC M voted a 9.3% increase in the dividend to FFr 50.30, plus a tax credit of FFr 25.15.

Payment will be made from july 2, 1992 In addition, the Meeting renewed certain financial authorisations and empowered the Board to distribute 4 new shares for 1 old share when it judges fit in order to increase the

Subsequent to the authorisation given at the AGM, the Board of Directors of Société Centrale du GAN at their meeting on lune 22, 1992 décided to :

■ increase the par value of the shares from FFr 37 to FFr 40 by incorporation of reserves distribute 4 new shares for 1 old share during the course of the summer, after payment of



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Jest in Sta

Treasuries slip ahead of jobs data release

sury prices eased slightly yesterday in the wake of news that had few implications about the state of the economy.

GOVERNMENT BONDS

In late trading, the benchmark 30-year bond was down 4 at 1024, yielding 7.778 per cent. The two-year note was unchanged at 100h, yielding 4.817 per cent. Trading activity was reported to be light.

After opening slightly firmer, prices edged lower on the news that the May Chicago Purchas-ers' index had risen slightly, that the Conference Board's latest consumer confidence index had remained virtually unchanged, and that the index of leading economic indicators rose 0.6 per cent in May. All three sets of figures carried the same message: only very modest growth in the level of business activity.

Sara Webb in London

WITH all eyes on tomorrow's important jobs data, DS Treatment jobs data, DS Treat Reserve will cut interest rates if, as expected, the jobs data confirms continued weakness in labour conditions mationwide.

> ■ UK government bonds closed higher as the pound proved slightly more resilient in the foreign exchange markets yesterday after Monday's weak-

The gilt futures contract opened at 97.26 and traded up to 98.04 on an average volume of about 22,000 contracts. In the cash market, the 11% per cent gilt due 2003/07 rose from 116% to trade at 116% by late afternoon while the latest auction stock - the 9 per cent gilt due 2012 - traded up from 85%

Dealers said sterling's performance in the foreign exchange markets was likely to remain the main influence on the gilt market in the immediate future. Sterling finished the day at DM2:8992/17, up from

ers said the slight drop in prices may reflect positioning by traders ahead of tomorrow's auction of FFr9bn to FFr11bn

of French Treasury bonds. The market is focusing on political concerns, which may well be reawakened today. when the cabinet decides on the date of a referendum on the Maastricht Treaty on European union. A September date is widely expected, so any surprise could prompt some reac-tion in the French bond mar-

■ THE German government bond market ended the day unchanged after prices were eased up slightly during morn-ing trading. Dealers said the bund market lacked direction, and any movement was contained by strong resistance and support levels, which were con-fining the market to a narrow range. Short-term rates edged higher as nervousness about the direction of interest rates

В	ENCH	MAR	KG	OVERNMENT BONDS					
		Coupen	Red Dele	Priça	Change	Yield	Week ago	Month	
ALESTRAL	A	10.000	10/02	107.2200	-0.772	8.91	8.83	9,12	
HEL GILLW	-	9.000	06/01	100.7500	+0.050	8.87	8.94	8.78	
CANADA		8.500	04/02	102,1\$00	-0.106	8.17	8.25	8,42	
DEMANAGE	, 	9.000	11/00	89.5000	-0.075	9.07	9,14	8.64	
FRANCE	BTAN	8.500 8.500	03/97 11/02	98.1240 97.9600	-0.038 -0.170	8.98 8.79	9,05 8,82	8.71 8.48	
GERMAN	7	8.000	01/02	99.7300	+0.050	8.03	8.03	7.92	
YALY	-	12.000	05/02	95.4800	-0.200	13.221	13,13	12,68	
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102-15 -9/32 102-10 -9/32

10.000 11/96 102-20 + 4/32 9.750 08/02 103-25 + 5/32 6.000 10/08 100-06 + 8/32

7.500 05/02 8.000 11/21

continued to depress the mar- day. The yield on the bench-

Prices: US, UK in 32nds, others in decimal

■ JAPANESE government bonds ended the day firmer, buoved by hopes of an easing in US and Japanese interest

Dealers said the market opened on a weak note, but traded up steadily during the

mark No 129 issue traded in a range of 5.265 to 5.3 per cent, ending at 5.275 per cent. In the futures market, the September contract breached the 103 level for the first time in three months, to reach a high of 103.06. The contract ended the day at 102.95, up from Monday's close of 102.84.

Technical Data/ATLAS Price Source.

Abbey National raises MTN programme

By Simon London

ABBEY NATIONAL Treasury Services, the funding arm of the UK bank, has doubled the size of its global medium-term note (MTN) programme to \$10bn, making it one of the largest borrowing programmes outstanding.

Additional borrowing will be used to fund Abbey National's growing portfolio of secu-rities and non-mortgage assets, including leasing and backing for structured finance transactions.

An MTN programme provides a legal framework under which a borrower can quickly issue bonds where pockets of investor demand are identified. The Abbey National programme allows it to issue bonds between one year and 30-year maturities, in a range of currencies, and in both the Euromarket and US domestic market.

The programme was increased from \$1.5bn to \$5bn last year. Mr Jonathan Nicholls, director of capital markets, said the latest increase should cover Abbey National's funding requirements to the end of 1993.

Two new dealers, Yamaichi International and Credit Suisse First Boston, have been added to the 10 already committed to the programme.

Abbey National's core mort-gage lending business is growing only slowly, reflecting the depressed state of the UK property market. Mortgage lending is funded mainly from retail deposits.

However, Abbey National has surplus balance sheet capacity. Capital market borrowings are used to fund holdings of non-mortgage assets, including a portfolio of mort-gage-backed bonds and leasing assets. The bank currently holds £10bn to £12bn of such "investment" assets.

Last year, Abbey National Treasury Services showed a £62m profit by exploiting the difference between its cost of funds - usually at levels below the London inter-bank offered rate - and return on

Option

CALLS PUTS
Jul Oct Jan Jul Oct Jan Option

Brazilian crisis drags down loans in secondary market Latin American borrowers

By Simon London

THE political crisis in Brazil continued to send ripples through the secondary market in loans to less-developed countries yesterday and is blocking Latin American borrowers from raising new funds.

Yesterday, benchmark Brazilian debt fell to around 30 per cent of face value in the secondary market from 34 per cent on Monday. At the start of last week, before allegations of corruption surfaced against President Colior, Brazilian debt was trading at 40 per cent of face value.

Political tension in Brazil has dragged down the trading price of loans to other Latin American countries, including Mexico and Argentina. Bankers said new issues by borrowers from all Latin America countries were now postponed until market stability is estoxed

Market disruption becomes more serious for potential borrowers as outstanding bond issues mature. Last week. Petrobras, the Brazilian state-backed oil company, said it would call a \$250m bond issue. The issue will have to be refinanced by early August, when the call option is exercised.

have been borrowing at tighter yield spreads and longer maturities over the past year. This trend has now reversed. Bankers said even the best Latin American borrowers would find it hard to borrow at maturities longer than two years.

Yield spreads on mostoutstanding bond issues have widened dramatically. For example, Telebras, the telecommunications company, launched a \$100m five-year Eurodollar issue last month at a yield spread of 368 basis points over US Treasury bonds. Yesterday, the bonds were quoted at a yield spread of 449

basis points.

• Algerian debt stabilised in the secondary market yesterday following the assassination of President Mohamed Boudiaf on Monday. Algerian floating rate debt obligations were mostly quoted by traders at around 80 per cent of face value, down from 87 per cent early on Monday, although dealing activity was very

Moroccan debt, which could face pressure from fundamentalist Islamic supporters, was trading at around 4314 per cent of face value yesterday, from

Devon Systems to acquire ICCH software arm

By Tracy Corrigen

DEVON Systems International the financial systems company, ts to acquire ICCH Financial Markets (IFM), the software development arm of ICCH, formerly the international Commodities Clearing House.

The deal will create the world's largest firm specialising in derivatives software, according to IFM. The acquisition is expected

to be completed by the end-of July. The terms, which involve a purchase of assets rather than shares, have not been disclosed. Devon will honour all existing IFM support and timesharing arrangements.
ICCH has developed a

number of new products, including its new FORTS back office system, which will be combined with Devon Exchange Windows, an stivanced facility for real-time modelling and trading of futures and options.

Austrian issue finds overwhelming demand

By Simon London

OKB, the Austrian state-backed financial institution, yesterday proved that international demand for Eurosterling bonds remains strong, launching a £125m issue to overwhelming demand:

INTERNATIONAL BONDS

Many analysts expected overseas buying of sterling bonds to diminish following Den-mark's rejection of the Maas-tricht Treaty on European monetary union. As a relatively high-yielding market, sterling was seen as having most to gain from economic convergence in the run-up to

monetary union. However, both UK and continental European fund manag-ers snapped up the available paper against the background of a rising glits market. Participents in the deal reported no

signs of hesitancy. The top triple-A credit rating of the borrower and the backing of the Austrian government were

additional attractions. The deal, lead-managed by Warburg Securities, was initially regarded as very tightly priced by syndicate officials at other firms. The yield spread over government paper is among the lowest on a new Eurosterling issue.

The 10-year 9% per cent bonds were re-offered to inves-

tors at a fixed price of 98.20, for a yield of just 12 basis points more than gilts.

Only bonds issued by borrowers such as the European Investment Bank - which are exempt from withholding tax in Italy and invariably attract strong buying from this quarter - have been launched at lower yield spreads.

By the close of trading, OKB bonds were quoted at 98.65 bid, for a yield apread of 9 basis

NEW INTERNATIONAL BOND ISSUES

Although demand for sterling paper remained firm, syndicate officials were not pre-dicting a rush of Eurosterling issues. One barrier is the lack of interest rate and currency swap opportunities for potential issuers.

OKB awapped the proceeds of yesterday's issue into float-ing rate D-Marks via a complex package which involved a dollar swap component. Few borrowers are willing to engage in such complex arbitrage.

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strong, says report By David Barchard we are not expecting any more

Housing lenders still

DESPITE the housing market recession, the UK's traditional providers of housing finance. the large building societies and Abbey National, are far stron-ger than generally realised, a report published today says.

The report's author, Mr John Wriglesworth, housing finance analyst at UBS Phillips & Drew, says he believes that even very small building societies perform just as well as the large ones.
"Short of a complete melt-

down in the housing market after some disaster like a 20 per cent fall in house prices,

LIFFE EQUITY OPTIONS

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top building societies to get into a position where they have to be rescued," Mr Wriglesworth says.

Mr Wriglesworth expects total bad debt provisions by societies to jump to £1.17bn this year, or around £1.8bn if Abbey National is included.

Although building societies have never before had such a high proportion of bad debts on their books, they have only a quarter of the bad debts of the banks. Bad debts make up around 0.7 per cent of the loans of the 20 top societies while they are 2.78 per cent of lending by the Big Four banks.

MARKET STATISTICS

BENCHMARK GOVERNMENT BONDS

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Mild winter retards Anglo United Negative

ANGLO UNITED, owner of the ness, announced yesterday that it had cut its dividend and renegotiated its debt repayment schedule as profits for the year to end-March fell by

48 per cent. The mild winter and continuing recession dented profits before tax, which fell from £15.7m to £8.3m on sales from ongoing businesses up from £537.2m to £555.9m.

Exceptional profits of £5.3m were achieved from the sale of a number of small assets against £7.8m last time.

Carnings per share were down at 1.9p (5.1p). Mr David McErlain, chairman, said it would be imprudent to pay an uncovered dividend. The final was therefore reduced from 1.4p to 0.65p, making a total of

"It may not be what many fund managers wanted to see but it's the right decision. The cut in the total dividend was in line with the profit fall. If profits increase so will the divi-dend," he added.

After missing a debt repay-



David McErlain: 'If profits increase so will the dividend'

Anglo has renegotiated its debt repayment schedule, relating to the 1989 purchase of Coalite for £478m, enabling it to pay off debt with proceeds from

Anglo's disposal programme of its non-core businesses has been affected by the recession. Liquid fuel and chemicals are likely to be sold for less than

from £48.8m to £35.4m. The interest charge decreased from £42.9m to £32.6m as debt fell from 2233m to £196m.

trading profits of £21.6m

about 16m below the budgeted figure due to the exceptionally

Overall trading profit fell

COMMENT

An exceptionally mild winte and difficult trading conditions have frozen Anglo's ambition to buy some of British Coal's ssets. The company's last quarter tells a sorry story: trading profits down from £24m to £12m, mainly because of the mild winter. As trading profits of Anglo's non-core businesses tumbled so it has become much harder to find buyers. If it still manages to achieve the £70m of planned disposals by next year and has better luck with the weather British Coal will be back in its sights. The dividend cut, while unexpected, was the right thing to do given the fall in profits. Forecast pre-tax profits of £12m and earnings of 2.3p put the shares, which fell %p to close at 13%p, at a prospective multiple of 6 - a 58 per cent discount to the market.

asset value at Gresham House

By Angus Foster

GRESHAM HOUSE, vestment trust specialising in unquoted companies and property, had a negative net

et value at December 31. Gresham, which yesterday announced a pre-tax loss of £8.87m (£18.7m) for the year, said its net asset value per share collapsed to minus 18p on December 31, against a raine of 129p a year earlier.

closed, and the shares were unchanged at 18p.
The loss included £8.92m of aspecified exceptional losses. Last year, Gresham's exceptional losses were £15.1m as some of its larger holdings

The appouncement was

neued after the slock market

ere put into receivership or hit by recession. The company said discussions with its bankers about un £8.5m refinancing were continuing "satisfactorily". But it warned shareholders that any break-down in negotiations would "make it very difficult for your board to con-tinue the group's operations". Dividend and interest

acome from investments fell sharply to £471,000 (£2.05m), although rental income improved to £1.35m (£1.22m). A sale of property investments is scheduled to continue, the

But Gresham's property development company has been placed into administrative receivership following a dispute with Customs and Excise. The property arm has therefore, in line with accounting standards, been deconsolidated from the group's balance sheet, although consolidated in its profit and loss account,

the company said. In separate litigation regard-ing a finance company, Gres-ham intends to appeal to the House of Lords against a recent unfavourable ruling.

There was an extraordinary gain of \$2.34m following overprovisioning in previous years. The loss attributable to shareholders was £6.48m (£16.8m). Losses per share totalled 208.3p (395.9p). No dividend in recommended.

SWEB surges 35% to £83m and switches on the gas

By David Lascolles, Recources Editor

SOUTH WESTERN Electricity. the Bristol-based distributor. raised profits by 35 per cent in its first full year as a privatised

The sharp increase for the year to March 31, which was in line with other electricity company results, was accompa-nied by a 14.5 per cent increase in the total dividend to 17.4p. Mr William Nicol, chairman,

said the "excellent" result came from a combination of cost cutting, better management of assets, and higher SWEB made £83m before tax,

up from £61.3m, the pro forma result produced last year for the privatisation. Turnover amounted to £847m (£779m) and earnings per share rose by 11.6p to 50.6p.

The bulk of the increase in operating profit came in electricity distribution, up by £24.4m to £93.7m. This reflected a 3.3 per cent increase in tar-

iffs, and a 1.4 per cent increase in volume.

The tariff rise was lower than the 3.6 per cent permitted by the terms of its licence and many customers had taken advantage of the 1 per cent reduction offered to those who paid by direct debit. The vol-ume increase was lower than normal due to the recession.

The retailing and contracting business saw profits drop from £1.1m to £400,000, reflecting a difficult high street market.

In the long run, SWKB is aiming for an 8 per cent a year real increase in dividends. Mr John Sellers, finance director. said the latest result more than justified the increase. One reason was the £6-£7m reduction in costs last year, part of a strategy to bring costs down by 10 per cent by 1998-94. SWEB also announced yes-

terday that it had set up Western Gas, a joint venture with UtiliCorp United of the US, to sell gas to business customers and take advantage of the ending of the British Gas monop-

oly later this year. Mr Nicol said that the new venture would enable both partners to contribute their special expertise.

SWEB made a point of being unapologetic about this sharp increase, which was in line with market expectations. It achieved a rise in volume sales in difficult times, made further progress in its battle against costs, and forewent a part of the tariff increase to which it was entitled. The dividend increase was among the high this on the basis of a formula by which any real increase over 4 per cent has to be backed by improvements in performance rather than just volume. The main disappointment is the retailing side which registered a small loss, Given SWEB's large commitment to this area, it bears watching. The shares gained 11p to 321p where they yield just over 6 per cent, slightly above the sector average.

Lonrho hit by collapse in south African profits

By Roland Rudd

LONRHO, the international trading group, yesterday pub-lished for the first time a halfyear breakdown of turnover and profit by activity and geographical area which showed a collapse in pre-tax profits from southern Africa

Technical problems at South Africa's Western Platinum and a decline in precious metal prices were responsible for pretax profits falling from £32m to £3m. Pre-tax profits from mineral extraction and refining throughout the group fell from £39m to £14m.

Mr Paul Spicer, deputy chairman, said the group was confident the second half would contain better results because technical problems at Western Platinum had been solved and production of precious metals would be increased.

The Americas reported no profit figures as the recession continued to affect its Princess

Hotels. Leisure, which includes hotels in Africa, saw pre-tax

profits decline from SSm to Pre-tax profits from east. central and west Africa fell from £36m to £23m, while in Europe profits dropped from The UK businesses contin-

ued to be affected by the recession as pre-tax profits declined from £19m to £7m. Pre-tax profits from motor and equipment distribution fell from £11m to General trade, which

includes distributors of electrical goods and aircraft spares, saw pre-tax profits fall from £24m to £9m In financial services, pre-tax

profits dropped from £24m to

Manufacturing, which includes The Observer newspaper, reported a fall in pre-tax profits from £5m to £3m. Pretax profits from agriculture

BM annoys institutions as share price falls again

By Richard Gourley

THE SHARE slide at BM, the construction equipment and engineering group, continued yesterday following last week's resignation for health reasons of Mr Roger Shute, the ounder-chairman, and Monday's profits downgrading by Kleinwort Benson, the company's broker.

the £70m-£80m Anglo originally

wanted after trading profits fell

Other businesses, including

Pozament, a manufacturer of

waterproof grouts, and Seaham

Harbour Dock Company saw

profits fail from £8.2m to £4.7m.

distribution, the smokeless fuel business, reported unchanged

Solid fuel manufacturing and

The share price fell from 150p to 113p. One analyst called it "a meltdown" following what appears to have been a collapse of confidence in the The fall came as Baillie Gif-

ford, the Scottish institution, announced that it had raised its stake in the group last Friday to 5.05 per cent. Since the start of June the share price has fallen from 398p, wiping over 70 per cent from BM's stock market valuation. The board, led by Mr Matthew Thorne, the new non-extalking to its institutional shareholders yesterday but is understood to have annoyed some of its largest shareholders by addressing a meeting of analysts first.

Analysts at that meeting said BM had continued a tradi tion begun by Mr Shute of not being particularly forthcoming with information about the

While this was generally accepted from Mr Shute, who developed a strong City backing at a time when BM's profits and earnings were rising rapidly, the market urgently needed more specific answers now that the share price was in free fall.

In particular shareholders would like to know how two crucial distribution contracts with Komatsu and Hitachi, the Japanese heavy construction machinery manufacturers, would be affected by the departure of Mr Shute who devel-

Beverley drops into red at £2.6m

BEVERLEY GROUP, which as Petrocon failed to acquire rival engineering group James Wilkes through a hostile take-over in April, reported a pre-tax loss of £2.57m for 1991, a year beset by operational probems and the recession.

DIVIDEND

The loss followed profits

5941,000 last year and was struck on sales up from £13.8m to £18.3m.

Mr Colin Robinson, chairman, said the group would continue to pursue growth through selective acquisitions, the first stage of which was schieved in March through the pirchase of Beverley Group.

of	Mr F	lobinson u		
15	ANHO	UNCE	D	
rat unit	Date of payment	Corres - ponding dividend	Total for year	Total last year
	Sept 2	· -	11	-*
	Oct 1	1.4	0.65	1.6
,	Sept 15	2.46	4	3.9
:	Sept 10	3,6	. 2.5	8
	_	1.5		1.5
	July 31			2.9
)†	July 31	0.3226	<u>-</u>	1.1386
•	Oct 1	3	· ·	13
4	: Oct 1		12.6	-4
	Oct 5	10.57	17.4	10.57

Dividends shown pence per share net except where otherwise stated. fOn increased capital, \$USM stock, \$Previous year's figure not comperable. \$\infty\$ irish pence, \$Came to the market in July 1991.

Petrocon directors controlled Beverley, which Petrocon bought for £2.68m.

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Beverley's results coincided with a suspension of trading in the shares of West Industries, the engineering company man until earlier this year. The shares were suspended yesterday at 2p at the compa-ny's request pending clarifica-tion of its financial position.

The company has posted proposals to sharebolders and creditors for it to enter into a corporate voluntary arrange ment (CVA) under the 1986 Insolvency Act and for the CVA to be supervised by Mr Cedric Clapp of Ernst & Young. Meetings of shareholders and creditors will be held on July 14 to consider the proposals. If approved further proposals will be put to shareholders as soon as possible for a reconstruction West through a scheme of arrangement under section 425 of the 1985 Companies Act.

For the year to March 31 1991 West's pre-tax loss despened to 28.3m (21.08m).

South Western Electricity p A Year of Progress Preliminary Results for the year ended 31 March 1992 1991 Profit before Tax £83.0m £61.3m Earnings per share Final Dividend per share 12.15p 10.57p "The good progress I reported six months ago has been 📆 maintained. Against a backdrop of recession, income is up 9% to £847.1m and pre-tax profit has risen 35% to £83.0m. The increase in profitability comes in large measure from cost cutting and better management of the assets as well as from higher sales of electricity. Our goals are to continue to increase profits while at the same time offering a better service to our customers. These twin objectives provide a solid platform for our dividend policy in the years ahead William Nicol Chairman and Odef Executive de Western Electricity pic 800 Park Avenue, Azone West, Alme

TANJONG

PUBLIC LIMITED COMPANY (Incorporated in England No. 210874)

NOTICE OF THE SIXTY-FIFTH ANNUAL GENERAL MEETING

To re-clear life Augments Ralph Marshall as a Director in accordance with Asticle 15 of the Company's Articles of Ausociation.
 To re-clear Mr Kheo Tells Cason as a Director in accordance with Asticle 75 of the Company's Asticles of Association.

(5) To re-elect Mr Ool Boan Long at a Dis the Company's Articles of Association

To re-elect Mr Tan Poli Ching as a Dis-Company's Articles of Association

DAVID KUOK

PUBLIC LIMITED COMPANY

TANJONG

NOTICE OF PROPOSED FINAL DIVIDEND AND CLOSURE OF BOOKS

NOTICE IS HEREBY GIVEN that a first and final gross dividend of 1.0 sen per share less Malaysian Income Tax at 35% for the financial period I January 1991 to 31 January 1992 has been recommended by the Directors for approval by the members at the Sixty-Fifth Annual General Meeting of the Company. The dividend, if approved, will be paid on 25 September 1992 to shareholders on record of the Company at the close of business on 20 August 1992.

The Register of Members of the Company will be closed from 21 August 1992 to 25 August 1992 (both dates inclusive) for the purpose of determining shareholders' entitlement to the dividend. Registrable transfers received by the Company's Registrars in Malaysia, Signet & Co. Sdn Bhd, at 1802, 18th Ploor, Pernas International Building, Jalan Sultan Ismail, 50250 Kuzla Lumpur, Malaysia and the Company's Principal Registrars in the United Kingdom, Steatiford Close Registrars Limited, at Broseley House, Newlands Drive, Witham, Essex CM8 2UL, up to the close of business at 5.00 p.m. on 20 August 1992 will be registered before entitlements to the dividend are determ

By Order of the Board

DAVID KUOK

1 July 1992 Jalan Raja Chulan 50200 Kusia Lumpur

Malavais

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Notice to the Holders of



£200,000,000 Floating Rate Notes Due 1995

NOTICE IS HEREBY GIVEN that, pursuant to Condition 5(e) of the terms and conditions of the Notes, Nationwide Building Society will, at the option of the holder of any Note, redeem such Note on will, at the opinion of the holder of any Note, redeem such Note on 10th October, 1992 at its principal amount. Following the redemption of such Note, all nametured Coupons appertaining thereto (whether or not attached) shall become void and no payment shall be made in respect thereof. Interest due on the Notes on 10th October, 1992 will be paid in the usual manner.

To exercise such option the holder must deposit such Note with any Paying Agent specified below on or after 10th August, 1992 but on or before 25th August, 1992

on or before 25th August, 1992.

Nationwide Building Society

By: Morgan Guaranty Trust Company as Principal Paying Agent

PRINCIPAL PAYING ACENT Morgan Guaranty Trust Company of New York
60 Victoria Embankment London ECAY OJP

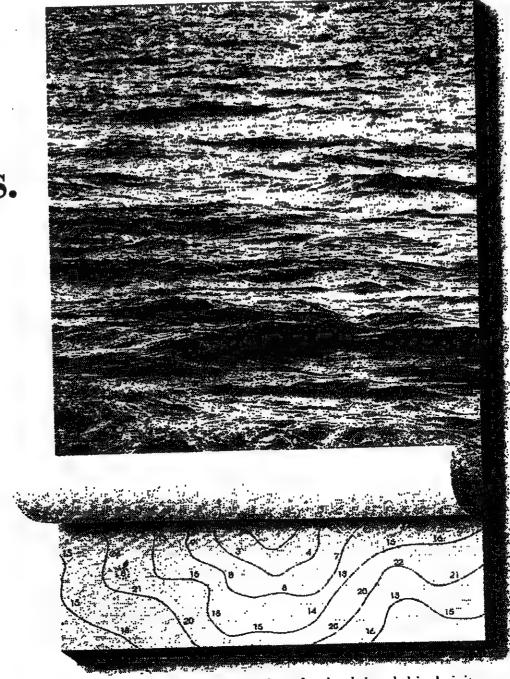
PAYING AGENTS Company of New York ue des Arts 35

Swiss Bank Corporation .

Exploring the uses of derivatives should be satisfying, not mystifying.

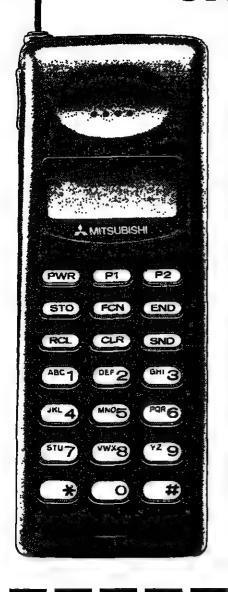
Derivatives don't make risk disappear, but they do make it possible to exchange a risk you'd rather not take for one you're more willing to accept. Options, swaps, and other derivatives are simple in essence, but since they're so versatile, evaluating their various uses can be complex. That's especially true with newer derivatives linked to commodity and equity indices. But it's not our style to magnify complexity. Our success has always been based on helping clients think through every situation fully and clearly. Then we draw on the technical resources of our global network to design the specific tactic that fits your

particular strategy. By taking the mystery out of derivatives, we make it easier to take advantage of these important financial tools. It's a key reason we've become a global leader in the full range of risk management products.



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COMPANY NEWS: UK

Bromsgrove Industries cut to £7.1m as recession bites

BROMSGROVE industries, the Birmingham-based specialist a fall in profits as the recession and falling margins affected its main automotive and aero-space divisions.

Pre-tax profits fell from 58.85m to £7.09m in the year to March 31. However, the results were

hailed by Mr Bijan Sedghi, chairman, as proof of Broms-grove's resilience compared to its competitors. Mr Steven

We do believe there are plenty of opportunities to go for-

Turnover increased 8.8 per cent to £90.1m, helped by a first-time contribution from environmental businesses econired last year. Aerospace was affected by

postponed civil aircraft orders and defence cuts, but offsbore companies performed well, and plastics had a better second half.

Interest costs increased slightly to £2.88m (£2.58m) and

Mills, chief executive, said: the proceeds of a £10m rights issue were not received until close to the year-end. Follow-ing the rights, gearing fell from 94 per cent to 50 per cent on net borrowings of £19.6m.

Earnings per share, fully diluted for the rights issue, fell to 11p (14.8p). A recommended final dividend of 2.5p makes a

total of 4p (3.9p). Extraordinary los £1.15m (£2.93m) and included business closures in the industrial division and £224,000 of costs on the aborted acquist-

Wheway runs up £715,000 loss

WHEWAY, the environmental engineering group, fell from profits of £1.37m pre-tax to osses of £715,000 in the 26 weeks to March 28. Mr John McGowan, chairman, said good perormances in Scandinavia, France and the US were not enough to offset the the recession-induced downturns in the UK and Australia. Atlas Wright, the computer room air conditioning systems company which accounts for 60

per cent of the group's total volume, saw a deferring of orders from the first to the second

Despite this collapse in other companies' capi-tal expenditure, Mr McGowan said that Wheway's recovery was "not solely dependent on general economic recovery", adding that the £10.3m investment made two years ago in air filtration technology was now beginning to see some return

Turnover declined 11 per cent to £37.5m (£42.1m) and operating profits 81 per cent to £489,000 (¥2,48m).

The group was tipped into losses by interest payable - albeit lower at £773,000 (£1.11m) after last July's £16.5m rights issue — and exceptional charges of £425,000, relating to reorganisation and redundancy costs.

Debt at period-end stood at £12.7m; before the rights issue it was £28.6m. Mr McGowan said the group was becoming "more and more focused". He described the

intra-group trading as "huge", with the environ-mental engineering and clean air divisions operating in much the same markets, Losses per share emerged at 0.51p (earnings 1.1p) but the interim dividend is held at 1p.

reorganisation of Glasrock. BOC bought the business in 1983, hoping to benefit from

home. However, the business came under pressure from cuts in US federal funding for healthcare and offered few economies of scale.

Umeco shows sharp decline to £312,000

Profits of Umeco, the USM-quoted manufacturer of erospace equipment, fell from £701,000 to £312,000 pre-tax for the year ended March 31. Turnover was 28 per cent ower at 19.95m.

a final dividend of 1p cuts the total to 1.075p (3.895p).

Adam & Harvey at £6.4m

ADAM & HARVEY, the international distribution and steel stockholding group for-Holdings, returned pre-tax profits of £6.4m from turnover of \$42.7m for the year to end-

Last August Stocklake, which returned profits of 25.96m on turnover of £36.9m for 1990-91, was voluntarily wound up in order to return 25.75m of excess cash to shareholders in a tax efficient man-

Along with the cash holders also received shares in Adam & Harvey, which obtained a list-Earnings for

emerged at 69.9p and a final dividend of 6p makes an 11p total - a 10 per cent improvement over the pro forma dividend of the previous year.

Enlarged Barcom back in the black

Barcom, formerly Venture Plant Group, returned to the black over the six months to March 31 in spite of "generally

weak trading conditions".

Pre-tax profits of £45,000 compared with losses of £1.77m last time. Turnover amounted to £1.44m against £3.38m, Barnings per share emerged at 0.2p (losses of 5.5p).

.The figures covered the period before the effective rescue of the alling company via the purchase of the materials handling division of National Plant and Transport, funded by a placing and rights issue which raised £15.5m. The company's name was subsequently changed and it was admitted to

Debenham Tewson hit by recession

Pre-tax profits of Debenham Tewson & Chinnocks Holdings, the property adviser, fell from £4.05m to £1.59m for the year to

(£40.8m) with consultancy accounting for 77 per cent of the total.

Earnings per share fell to 2.76p (7.57p) and the proposed final dividend is cut to 1.5p (3.6p) for a 2.5p (6p) total.

Finance costs leave Grand Central down

turing group with interests in the Asia Pacific region, reported pre-tax profits of 2922,000 for the 1991 year. The fall from the previous £1.34m was attributed to

higher financing costs associated with the takeover of Sunshine Allied Investments of Singapore in October 1990. Net interest charges

ate of Anglo American.

Hewetson, the Hull-based flooring products and construction materials group, announced sharply lower annual profits and a reduced final dividend. Mr Peter Price, chairman, said the decline was mainly attributable to reduced demand for access flooring which in turn saw group turn

fall from £43m to £32.4m. Costs of reorganisation at the operation were taken above the line as an exceptional charge of £251,000, contributing

fell to £490,000 (£798,000) as gearing was cut from 103 per cent to 48 per cent following August's rights issue.

share emerged at 4.35p (10.81p). The final dividend is cut to 1p (2.9p) for a 2.8p (4.5p) total. Sumitomo sells

Sumitomo said: "The terms

UK mortgage book

Sumitomo: the Japanese bank. has sold its UK residential mortgage business to Birmingham Midshires Building Soci-

ity for an undisclosed sum. Grand Central Investment Holdings, a chocolate manufac-The mortgage book includes about 1,600 borrowers, and is valued at about £100m. of the deal were attractive to us and as a centralised lender we do not see great potential

for growth in the mortgage lending business over the next few years. We therefore decided to pull out of the UK

amounted to £1.9m (£571,000) but borrowings have been sharply reduced since the yearend following an injection of 19m of equity funding by Con-solidated Resources, an associ-

Turnover improved to 250.6m (£40.2m). After tax of £444,000 (£457,000) and minorities £765,000 (£120,000) losses per share were 0.73p (2.03p earnings). Nevertheless, the proposed final dividend is held at 0.7p for a total of 1.15p (i.1p).

Reduced demand affects Hewetson

over for the year to March 31

to a 54 per cent fall to £745,000 (£1.61m) in pre-tax profits. Interest charges, however,

reduced stocks and last Fully diluted earnings per residential mortgage market. Our core business in the UK is commercial banking."

Onver Group chief

executive quits Oliver Group, the footwear

retailer, announced that Mr Graham Taylor had relin-quished his post as chief execu-tive of the loss-making com-

The group said Mr Ian Oliver, chairman, would temporarily take over as chief execu-tive, pending a further announcement, but declined to give any more details. Oliver

give any more details. Oliver Group's shares closed unchanged at 35p, compared with last year's peak of 125p. In April, Oliver reported a sharp increase in pre-tax losses from 52.58m to £10.7m for the year to December 31, on reduced turnover of £84.9m (198m). Mr Oliver said then that last year was the most difficult in memory.

Finsbury Smaller £8.3m placing

Finsbury Smaller Companies
Trust is proposing to raise
\$3.3m by a placing and offer to
shareholders of 3.3m new ordinary shares at 119p and 3.3m

area dividend preference zero dividend preference shares at 140p. Under the terms of the offer,

existing shareholders will be entitled to take up the new shares on a 33-for-80 basis.

Holders of 35.69 per cent of the current issued share capital have undertaken not to take up their entitlement, which will widen the existing

shareholder base. The 41.18 per cent of the trust previously held by Anglo Scandinavian Investment Trust before it was taken over by Finsbury Growth Trust is being placed with a number of institutions.

The zero preference dividend shares offer a fixed capital return paid in the winding up of the trust, which is planne to commence on December 17 1999. The trust also announced a same-again interim dividend of 1p for which the new ordi-nary shares will not qualify.

Dwyer incurs loss of £731.000

Dwyer, the property investtax loss of £731,000 for the six months ended March 31, against a £644,000 profit last

Losses per share increased to 5.67p (0.34p) and the interim dividend is omitted - 1.5p was paid previously.

Loss for Greenwich Communications

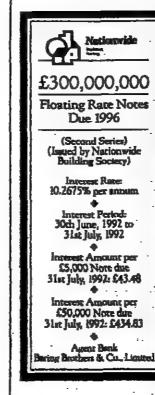
Costs resulting from the closure of two subsidiaries pushed Greenwich Communications. the USM-quoted radio and television services group, £92,000 lnto the red in the six months to February 29.

Turnover rose to £171,000 (£42,000) and at the operating level there were profits of £18,000 (£32,000 losses). Last time there was a £95,000 pre-tax loss and at the 1991

year end losses amounted to Mr Alfred Stirling, chairman, said the exceptional charge of £180,000 was largely associated

with the closure of Greenwich Satellite (GSL) and Greenwich Satellite Espana (GSE). Following the irregularities discovered in Spain, he recom-mended that, should no addi-

tional share capital be raised by the local directors, GSE should be put into liquidation. Losses per share were 133p



TROM THE OPENING OF TRADING TODAY.

Wednesday 1st July, 1992, ChiriTung Europe Limited becomes Standard Chartered Securities Europe Limited, signifying Standard Chartered's commitment to the securities industry throughout the Asia-Pacific region.

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Standard Chartered Securities Europe Limited Suite 36/37, 2/F, Ludgate House, 107 Fleet Street, London EC4A 2AB General: (71) 583-3388 Fax: (71) 353-2707 The 925028 SCSEC G

involvement BOC Group, the UK industrial gases and healthcare concern, has ended its costly involvement in the US home healthcare market by agreeing to sell its Glasrock business.

BOC ends

US home

healthcare

BOC will sell Glasrock to Homedco Group, a Californiabased company, for \$72m (£39m), slightly above its net asset value after dediction of liabilities. However, the UK group took an exceptional provision of £19.6m for the year to September 30, to cover a.

the increasing numbers of patients being treated at

Earnings fell to 3.3p (9p) and

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AV AVERACE

COMPANY NEWS: UK

Sotheby's

offering

\$12.50

By Maggie Urry

trading on Monday.

cent of the total.

The shares represe

priced at

THE PUBLIC offering of 10m

Sotheby's Holdings A limited

voting shares, announced ear-

lier this month, went ahead

yesterday at a price of \$12.50,

the closing price in New York

The sale raised \$100m

(£52.5m) for Mr Alfred Tanb-

man, chairman of Sotheby's,

for Mr Max Fisher, vice chair-

man of Sotheby's and Martini-que Hotel, a company which is owned by Mr Fisher's fam-

The shares traded at a

small premium to the issue price in the "when issued"

Mr Taubman retains just

over 80 per cent of the compa-

ny's shares and has voting

The sale, announced earlier

this month, was handled by

Lazard Freres and Alex.

Brown & Sons in the US and

Lazard Brothers managed the

international part of the

offering covering 2m of the

control.

who sold 8m shares, and \$2

Interest earnings help boost Fyffes to I£12.4m

By Tim Coone in Dublin

PYFFES, the UK and Irish fruit. and vegetable distributor, reported a 33 per cent increase in pre-tax profits to I£12.4m (£11.5m) for the six months to April 30.

Turnover was ahead 6.5 per director, said, however, that operation is now much more interest earned on its cash cost efficient, but added that

Mr Carl McCann, finance; holdings of some 1£105m had it had been adversely affected been the principal factor in the profits growth. Oversupply of bananas in the European mar ... If we had bad last year's ket had held back growth in prices and this year's cost trading profits:

structure, we would be booking

Chrysalis plans satellite TV game show channel

CHRYSALIS, the music publishing, communications and media company, is planning to launch the UK's first game show channel on satellite television. The company has acquired

the television rights to 14,000 American game shows and plans to run them non-stop for 18 hours a day. Chrysalis, in partnership with Mr Howard Huntridge,

the television game show specialist, is trying to raise £15m So far there has been little: shopping segment.

had been adversely affected by the battle with Christia in the US over the sourcing of European destined bankings from Honduras. As participated the peace agreement, Fyfice-temporarily limited its participated the limited its purchases in the Honduran market Mr McCann said the compa-

ny's new Central American by low prices in the European...

investment interest in the project from the UK and talks are about to begin with poten-

are about to begin with poun-tial By backers.

The sim would be to is much the channel on cable relevision in the autumn and move to the new Astra satellite a year from now. Negotiations are at an advanced stage with SES, the Luxembourg company that runs the Astra satellite sys-

tem, for an option.
Apart from advertising and sponsorship income further revenue is envisaged from viewers taking part in games by telephone and a television

Last year's first half results at much better figures", he

The decision last month by the PPI Del Monte administrators to sell the company off rather than float it had revived expectations of a Fyffes' bid.

Mr McCann declined to comment on whether a fresh approach had been made to the PPI administrators. But a market analyst said: "Fyffes' position has always been that if the price is right, they are

PPI bought the Del Monte fresh fruit operation for \$875m (£473m) in 1989 and it is thought that any bids for the company now, following the decision to abandon a lietation. will be at a substantial dis-

This would still be more than the 19100m on hand to Fyffes and as the company remains averse to debt-levered acquisitions it is likely that it now has a partner with which to make a bid.

Earnings per share came out at 2.23p (2.22p), and the interim dividend is increased to 0.3549p The company said that for

the full year "we expect net profit before tax to show an increase on 1991 although earnings per share are unlikely to be ahead of last year".

Wellcome faces further generic competition over AZT drug possibility of selling it in Can- anti-viral treatment.

ada and Spain.

The Brazilian company plans

to sell generic AZT at about

\$100 (£54) per 100 tablets com-

pared with Wellcome's price of

It expects to have production

for 80kg a month by January

next year, adequate to

supply 60 per cent of the Bra-

zilian market worth \$30m a

it did not believe the Brazilian

company had sufficient manu-

facturing capacity to launch

the product in the immediate

future, and that it expected no

immediate impact on sales.

The world market for AZT last

year was £177m, making it Wellcome's second best-selling

product after Zovirax, another

Wellcome said yesterday that

By Paul Abrahams

WELLCOME, the UK pharmaceuticals company involved in the world's largest ever non-privatisation secondary share issue, faces further generic competition to AZT, the HIV treatment and one of its largest-selling prod-

Microbiologica, a Brazilian company established by staff at Rio de Janeiro's Federal University, has received permission from the Brazilian licencing authorities to manufacture and sell AZT in Brazil, a country which does not recognise Wellcome's AZT patents.

The group plans to sell the drug elsewhere in Latin America where patent protection is weak. It is also looking at the

been hit hard by the advertis-

ing recession, also announced

that Mr Nick Winks had been

relieved of his duties as chief

executive and deputy chair-

Colorgraphic shares suspended at 25p SHARES IN Colorgraphic, the man. Mr Alan MacLeod has advertising and direct mail litresigned from the board. erature group, were suspended An adviser said the suspenat 25p yesterday pending clarision and board changes folfication of its financial posilowed the breaching of a banking covenant by the group, which had found its trading tion, writes Andrew Bolger. Colorgraphic, which has

> A further statement would be made as soon as talks with its bankers had ended.

conditions continuing to deterl-

Prof Fernando Steele da Cruz, Microbiologica's administrative director, told Pharma ceutical Business News, a Financial Times newsletter,

that its AZT was 100 per cent pure and had been tested in the US and UK. Wellcome's share price has been highly sensitive to stories about AZT, sales of which rep-

resent about 11 per cent of group revenues. However, analysts are expecting to hear additional details about the effectiveness of AZT at the Amsterdam Aids

conference taking place during the last week before the share offer closes on July 24. AZT is already under pres-

sure in other countries from generic manufacturers.

Mr Ron Welch, founder and

At yesterday's suspension

price, Colorgraphic has a mar-

ket value of £4.24m, compared

with a peak of £33.2m in 1989.

In March, the company

reported a pre-tax loss of

22.33m in the year to December

31, against a profit of £2.01m.

executive chairman of Color-

graphic, has resumed the role

of chief executive.

pay £14.5m for Scott pharmacies UNICHEM, the pharmaceutical

UniChem to

wholesaler and retailer, is to pay £14.5m for Scott, the Scotash chemist chain.

The acquisition will give UniChem a total of 194 pharmacies and underlines the company's commitment to building a second core busi-ness in retail pharmacy. Scott made pre-tax profits of

£458,000 on turnover of £16.5m in the year to end-April 1992. It owns 31 chemists in the Glasgow area and has interests in two health centres. The purchase is being satis-

fied via £11.6m cash and £2.9m in 10-year loan stock. Four of the Scott shops have annual sales of more than £1m and UniChem expects its new pharmacies to contribute to

profits in the first year. It plans to take them into its retail chain under the Moss

Mr Jeff Harris, chief executive, said: "This is an excellent buy for us. as Scott is one of the few large groups of pharmacies left in the market. It also strengthens our business in Scotland and underlines our commitment to build a second core business of retail phar-

Medeva seeks redundancies at generic drugs offshoot

MEDEVA, the fast-growing UK lor, executive chairman, said pharmaceuticals group, is in negotiations with unions to make up to 220 of the 430 staff at Evans-Kerfoot, its generic drugs subsidiary, redundant.

The company plans to scale back production of generic pharmaceuticals at its Ashton plant, concentrating on niche medicines as well as supplying capsules and tablets for Medeva's patented products, according to Mr David Lees, finance

Evans-Kerfoot would incur a

Last March, Mr Bernard Taythat its unbranded generic

businesses were for sale. Since the beginning of the year, the subsidiary has lost its managing director, finance director, production director

Mr Lees sale the lesses were not large in proportion to the rest of the group, and the com-pany was still on target to meet analyst's expectations of about £35m profits this

It made £16.7m before tax

New business growth helps lift Lowndes Lambert

LOWNDES LAMBERT, the insurance broker which was floated last year, yesterday announced a 26 per cent increase in pre-tax profits for

the 12 months to March 31. Buoyed by a strong growth in new business, pre-tax profits rose to 29.3m (27.4m), pushing earnings per share up 21 per

cent to 25.8p. final dividend of 8.4p, making a example, income grew by 11

Income from brokerage including group share of associsted undertakings - rose to 261m (253.4m), offsetting a decline in investment income

Operating profit rose to 27.47m (25.75m), while income from interests in associated undertakings improved to £1.8m (£1.61m).

to #5.88m (26.63m).

Mr Richard Shaw, chairman, pointed to strong growth in new business. In the UK, for per cent in spite of the reces sion and soft insurance mar-

FT-Actuaries Share Indices

THE FOLLOWING changes will be made to the FT-Actuaries Share indices with effect from today: Additions: Henry Boot (FT-A

Sector 3) Contracting, Con-struction; Capita (41) Business Services; JLI (25) Food Manufacturing: Kenwood Appliances (4) Electricals; Portsmouth & Sunderland Newspapers (30) Media; South Staffordshire Water (47) Water; Templeton Emerging Markets

(71) Investment Trusts. Deletions: Alexandra Work wear (FT-A Sector 35) Textiles: Enterprise Computer (5) Electronics, Kunick (29) Hotels & Leisure; Lep Group (41) Business Services; McKay Securities (69) Property, Rans Engineering-General; Ward (3) Contracting, Construction. Reclassification: Phote-Me International to Miscellaneous (48) from Hotels and Leisure

ERAGE	S OF S	TOCK II	IDICES
June .	May	April	March
		1	
88.83	89,05		86.61 .
104,70	104.39	101.15	98.83
2027.3	2123.5	1983.9	1948.1
101.8	110.6	113.6	123.63
22,745	31,540	35,856	30,512
- '			
1348.67	1406.22	1318.88	1285.54
1419.86	1476.08	1387.84	1354.07
755.77	784,49	701.83	700.75
1290.28	1310.73	1225.18	1189.04
2604.4	2702.3	2549.4	2485.2
1164.01	1186,95	1159.90	1155.69
Highest J	un close	LOWDER J	un come
2111,0	(2nd)		
1310.39) (2nd)		
2705,9	(2nd)		
1200.27	/ (2nd)	1139.30	(30th)
· · · · ·	3use 88.83 104.70 2027.3 101.8 22,745 1348.67 1418.86 755.77 1290.28 2804.4 1164.01 Highest 3 2111.0 1310.38 2705.9	88.83 85.05 104.70 104.39 2027.3 2123.5 101.8 110.6 22.745 31.540 1348.67 1496.22 1419.86 1476.08 755.77 784.89 1290.28 1310.73	88.83 88.05 87.42 104.70 104.39 101.15 2027.3 2123.5 1983.9 101.8 110.6 113.6 22,745 31,540 35,856 1348.67 1406.22 1318.68 1419.66 1476.08 1387.84 755.77 784.49 701.83 1280.28 1310.73 1225.16 2804.4 2702.3 2549.4 1164.01 1186.95 1159.90 Highest Jun close Linwest 3 2111.0 (2nd) 1942.90 1310.39 (2nd) 1215.77 2705.9 (2nd) 2515.6

Kleinwort Benson

Kleinwort Benson Private Bank is pleased to announce that with effect from 1st July 1992 the Mortgage Management Account interest rate has reduced to 10.75% per armum. The mortgage base rate is now 10.99% per annum.

Kleinwort Benson Private Bank is a Divis

TOYO SASH. What comes to mind? Reliability, innovation, solid investment

value. And sashes. But we're much more than a sash maker. We've diversified and expanded and are now a manufacturer of products that integrate every aspect of home and office design. Our name doesn't reflect that. So on July 1, 1992, we're changing it. You've probably seen our new name before. It's part of our corporate identity, well respected, easy to

spot and easy to remember. It was our trademark but now it's our name.



TOSTEM CORPORATION

🗷 1-1, Ojima 2-chome, Koto-ku, Tokyo 136, Japan 🖫 Tel: (03) 3638-8115 🗈 Fax: (03) 3638-8254

EC ministers poised to pass CAP reform rules

By David Gardner in Luxembourg

EUROPEAN COMMUNITY farm ministers last night were poised to pass the enabling regulations for the radical reform of the common agricultural policy agreed on May 21, despite an unusually big harvest of national problems and second thoughts.

The immediate cost of push-

ing through the reform now to give farmers a target at the beginning of the agricultural year in key areas like cereals was certain to be concessions to Italian dairy producers, and likely to include more sweeteners for French cereals and beef farmers.

National problems have been magnified since CAP reform was endorsed, and given resonance by Denmark's rejection on June 2 of the Maas-tricht treaty on European political, economic and monetary

union.

Both the 12 and the European Commission have since then been busily soft-pedalling on any issue which might upset anyone's national susceptibilities, within a strategy which requires 11 member

Freight futures

By David Blackwell

spiral downwards

LONDON'S FREIGHT futures

market enters July, a month of

seasonally low prices, with

prices on a seemingly unstop-

barometer of dry cargo ship-ping rates on which the market

27th consecutive day, shedding

13 points to 1,091 and taking

the total decline over the

ent in being negative," said Mr

Philippe van den Abele of Clarkson Wolff, "The shipping

market has been hit by a lack

of Japanese demand for raw

materials since the beginning

Demand for freight had

fallen not only in the grain sec-

tor, but also in iron ore and

Ms Cathy Severn, freight

trader with GNL the London

futures broker, said that last

year had seen very buoyant

prices following the upsurge of

activity in grain to the former

Soviet Union. With the market

running high, older ships had

not been scrapped, making this

The June contract went off

the board yesterday at 1,108.

compared with 1.705 in June

MARKET REPORT

year's downturn worse.

last year.

This market is very consist-

The Baltic Freight Index, the

based, yesterday fell for the

pable downward spiral.

period to 197 points.

of the year."

states to steam ahead with ratification of Maastricht, in the hope of pulling Denmark back on board.

Italy was given short shrift in May when it held up the reform package in an attempt to get retrospective validation of its illicit overproduction of milk from its partners. But Mr Giulio Andreotti, the outgoing Italian prime minister, got the nod from his colleagues at last week's Lisbon summit meeting, which called for a "balanced solution" to Italy's milk

Italy has a milk quota of 9m tonnes a year but in fact produces 11.5m tonnes. It had sought to get more than half the excess approved in May, but irritated its partners by making this a demand. Spain and France, with similar if less voluminous milk quota prob-lems, got a solution in May. Italian officials say their

farmers will have to slaughter 430,000 dairy cows unless it obtains a compromise, with the loss of 90,000 jobs. This is unjust, they say, because self-sufficiency in milk would fall below half - Italy consumes more than 18m tonnes a year - and, in any case, the

tion that has existed for over a decade. They further hint that powerful farm corporations dating from Mussolini's time are breathing down Rome's neck just as Italy is ratifying Maastricht. "If we don't come back with something they will kill us, not the cows," said one

official. France, which unlike Italy backed the reform in May, faced even greater political constraints, dramatised by the escalating farmers' protests against the revamped CAP ahead of its autumn referendum on Maastricht.

The reform cuts support prices to near world market levels while compensating farmers through the provision of direct income payments, contingent on larger farms taking 15 per cent of their land out of production.

The solutions thrashed out last night looked set to offer Italy's dairy farmers 900,000 extra tonnes of milk quota. This is below the 1.5m tonnes Italy was stating as its bottom line, but Rome was likely to get a breathing space of three years to adjust to the new total

S African troubles lift platinum price

By Kenneth Gooding. Mining Correspondent

PLATINUM'S PRICE rose strongly in London yesterday following an overnight rally in New York. That was sparked by worries about the present political instability in South Africa, which supplies more than 65 per cent of the western world's requirements.

The metal's price closed in

London yesterday at \$381.25 a troy ounce, up \$14 from Monday's close, a gain of nearly 4 per cent in one day and its highest level for nearly a year. There had been a change of market sentiment, possibly helped by the buoyancy of base metal prices in the past few days, said Mr Tim Pearce, prin-

cipal trader at Johnson Matt-

hey, the world's biggest plati-

num marketing group. The market was now less worried about the lack of growth in Japan's economy and more concerned about the possibility of strikes hitting South African mines. Platinum is mainly used in catalysts, particularly those used to clean up noxious emissions from cars, and the Japanese motor industry is experiencing a difficult year.

Ms Rhona O'Connell, analyst at Williams de Broë, part of the Banque Bruxelles Lambert group, suggested, that South African supplies were not threatened because any miners' strike there would damage further gold mines already tee tering on the brink of disaster.

However, the platinum market was tight, stocks were "minimal" and consumers were living hand-to-mouth. So despite the speed of yesterday's rise, prices between \$370 and \$380 an ounce were sustainable, said Ms O'Connell.

In its recent platinum review, Johnson Matthey pointed out that Russia's platinum export sales spiralled out of control last year to reach a record 1.1m ounces. This halped to drive down the price from an average of \$472 in 1990 to \$376. Mr Jeremy Coombes. author of the review, suggested the Russians recognised that damage had been done and he forecast export sales this year 800,000 and 700,000 ounces. JM forecast that platinum supply and demand should be in balance in 1992 and this should enable the price to climb back to \$400 an ounce by the year-

CAP reform threatens tractor

makers By Andrew Baxter

THE RADICAL overhead of the European Community's common agricultural policy will accelerate the restructuring of Europe's farm machinery industry, said Mr Riccardo Ruggeri, chief executive of N.H. Geotech, yesterday. The CAP reforms, agreed in

May and fiercely opposed by some farmers in continental Europe, would force machinery producers to put further emphasis on cost reductions. That would lead in turn to more job cuts in the industry, said Mr Ruggeri at the London headquarters of N.H. Geotech, one of the world's largest farm machinery producers.

Employment at the company has fallen from just over 30,000 when it was formed in May last year – from Fiat and Ford's earthmoving and agricultural businesses - to a lit-tle over 20,000. Mr Ruggeri would not quantify any fur-ther job cuts but said that the restructuring of the company's manufacturing operations would continue

He warned that the CAP reforms, which included a 29 per cent cut in cereals prices over three years and compensation to farmers for taking land out of production, could force the collapse of mediumsized equipment producers lacking geographical or spe-cialist strengths.

"N.H. Geotech will definitely survive," he said. "And it is possible that some small specialised manufacturers may continue to serve certain specific market niches. But there is a significant group in between, serving a more significant portion of what was until recently a prosperous European mar-ket, which will have very serione difficulties."

Tractor sales in Europe have plummeted from 301,000 units in 1980 to an expected 150,000 this year - a figure that includes eastern German sales. Mr Ruggeri said mid-range "standard" tractors, the main stay of European markets would be worst hit by the CAP reforms. In the combine harvester market, where unit sales had dropped from 22,000 in 1980 to an expected 9,000 this year as farmers switched to contractors' machines, the phasing out of grain production subsidies would worsen the situation. In the much smaller market for hay and forage machines, the scenario was very bleak, said Mr Ruggeri.

Overall, the only product line with opportunities for growth were special tractors for orchards and vineyards.

Copper, Grade A (E per tonne)

1278.5-9.5

Norway adamant on whaling decision

By Karen Fossii in Osio

NORWAY IS adamant that it will not bow to international pressure condemning its decision to reinstate hunting of minke whales following a fiveyear pause, despite threats of trade embargoes on imported Norwegian fish.

Mrs Gro Harlem Brundtland, the prime minister, recognised internationally as a champion of the environment, has stated publicly that Norway will not reverse its stance and that quotas for 1993 commercial whaling will soon be fixed even if the IWC fails to lift its commercial whaling moratorium

Mayen stock

The IWC Scientific Commit-

tee a few days ago unanimously estimated that the north-eastern Atlantic stock stood at 86,700 animals. "The harvesting of a stock of this size on a sound, scientific and sustainable basis is fully justified," Norway argues. Norway's last fixed commer-

cial whaling exploitation quota was in 1987, for 325 minke whales from North Atlantic stocks and 50 from the Jan While it may be difficult for outsiders to understand Nor-

way's hard-line approach to commercial whaling, the government argues that in certain remote areas of the country. especially in the north, fishermen and their families depend

on whaling as a supplement to fishing to earn an acceptable annual income. In addition it is part of policy on settlement It is a particularly important

factor in outlying districts which offer few, if any, alternatives to fishing and hunting, runs Norway's case. Mrs Brundtland, who has

received hundreds of international awards and recognition for her work in promoting environment conservation, said she expected criticism of Norway's decision but insists that it is in keeping with the recent Earth Summit in Rio. which established that the objective of achieving conservation and sustainable use

"shall apply to all marine living resources, including marine mammals".

Britain's Prince Philip, who also heads the Worldwide Fund for Nature, is visiting Norway and will meet the prime minister today.

In a national radio interview. he said that although Norway's decision was regrettable, he was "too polite" to broach the controversial issue with Mrs Brundtland.

In another radio report, the European Community was quoted as saying that Nor-way's decision was hypocritical of its international reputation as a friend of the environment and raised questions about the sincerity of its convictions.

Campaigning whaler trapped on the Clyde

By James Buxton

A NORWEGIAN whaling boat was trapped on the Clyde in Glasgow last night after activists from the environmental group Greenpeace blocked its exit down the river. The 65-foot Elin Torll was

prevented from starting its return voyage to the Lofoten Islands because seven Greenpeace protestors manacled themselves to the Bell's Bridge, a swing bridge, preventing it from opening to let the boat

Four others had chained themselves to the Elin Toril's whaling harpoon, the roof of its wheel house and its crow's nest. The whaling boat sailed to Glasgow on Monday with a party of people from whaling communities in the Lofoten Islands off northern Norway to underline their support for a

That day the Norwegian government announced to the International Whaling Commission, which is holding its annual meeting in the city, that it will resume commercial whaling next year, defying the moratorium which the IWC agreed in 1985, and irrespective of any decisions the 37-nation body takes this week.

Yesterday Mr John Gummer. the UK agriculture secretary, urged Norway to reconsider its decision. Attending a conference in Luxembourg, he attacked the "double standards" of countries which failed to live up to international commitments.

On Monday night the Elin Toril had been the scene of joyous celebrations, matching those reported from fishing communities along the coast of Norway, at the decision of the Norweagin government. "Whaling's part of our way

of life," said Mr Stig Odinsen, skipper of the boat which, perhans rashly, he had moored within a harpoon's shot of the much larger Greenpeace research ship Polo. There are about 25 whaling

boats based around Mortsund in the Lofoten Islands, with the rest of Norway's 50-odd whaling boats based on the main-Until 1987 when Norway

finally adhered to the moratorium after the US threatened to ban the import of Norwegian fish, some 60 per cent of Mr Odinsen's income came from hunting whales, with the remainder coming from netting cod and other whitefish in the summer and herring in the winter. Since then he has had to confine himself to normal nishing.

There is a simple reason for the attractions of hunting whales: they are considerably more valuable than whitefish. Speaking mainly through an interpreter Mr Odinsen says: "One kg of whale meat is worth £3 whereas one kg of cod is worth £1. One big whale is worth about £10,000"

In the last season before Norway joined the ban on whaling Mr Odinsen caught 20 whales. He reckons he could kill between 50 and 60 minks whales a season if the Norwegian government granted him

a sufficiently large quota. The minke whale is one of the smallest of the whale famlly, dwarfed by leviathans such as the blue whale which has become an endangered species.

"All kinds of hunting are cruel, but whaling is no more cruel than elk hunting or your own fox-hunting," says Mr Odinsen "With our new harpoons loaded with a grenade which explodes on impact the whale dies instantaneously.

Zaire's cobalt output forecast 10% below target

ZAIRE'S COBALT production in 1992 will fall by nearly 10 per cent from a target of over 9,000 tonnes, because of adverse climatic conditions, the managing director of Gecamines, the state-owned mining

Prices from Metal Bulletin (last

ANTIMONY: European free

BISMUTH: European free

market, min. 99.99 per cent, \$

CADMIUM: European free

market, min. 99.5 per cent, \$

per lb, in warehouse, 0.60-0.85

COBALT: European free

market, 99.5 per cent, \$ per lb,

1318 1852/1318

1290/12189.5 1308/1292

336/327

market 99.6 per cent, \$ per

tonne, in warehouse, 1,725-1,750

week's in brackets).

per lb, tonne lots in

2.30-2.60 (same).

(0.45-0.80).

1281.5-2.5

319.3-1.5 330-0.5

company said yesterday, reports Renter from Tokyo. Mr Atundu Llongo, who was in Japan, a major cobalt consumer, for discussions with trading houses, said he was confident that Zaire and Zam-

MINOR METALS PRICES

in warehouse, 23.50-25.00 (24.75-

MERCURY: European free

MOLYBDENUM: European

SELENIUM: European free

TUNGSTEN ORE: European

market, min 99.5 per cent, \$ per

free market, standard min. 65

market, min. 99.99 per cent. \$

per 76 lb flask, in warehouse.

free market, drummed molyb-

house, 2.40-2.45 (2.35-2.43).

lb, in warehouse, 4.80-5.50.

140-160 (same).

(Prices supplied by Amalgameted Metal Tracing)

AM Official Kerb close Open Immune.

the rest of this year. But many traders doubted this, saving that demand in the industrialised countries was weakening.

kg) WO3, cif, 53-62 (55-64).

CRUDE OIL (Light) 42,000 US galls S/barrel

Close Previous High/Low

VANADIUM: Suropean free

market, min. 98 per cent, \$ a lb V₂O₅, cif, 2.05-2.15 (2.08-2.15).

URANIUM: Nuexco exchange

+5,880 to 1,267,876

value, \$ per_lb, U₃O₈, 7.75

price of \$25 a lb for cobalt for The free-market price of

a lb in Europe on Monday. unchanged from Friday. Zaire and Zambia account for

70 per cent of world production of cobalt, a strategic mineral used in alloys for making aircraft engines and turbines as well as audio tapes. Mr Liongo declined to give a specific output target for 1992 and did not give 1991 output.

Zaire and Zambia agreed in early June to maintain for the rest of 1992 a producer price of cobalt at \$25 a lb. The two countries raised it to this level from \$11 in 1991. "Before fixing the producer price at \$25, we Zembia," said Mr Llongo.

On 1993 producer prices he said: "It is premature now to talk about what we will do next year. Let's see what impact it (producer price at \$25] will have on the market.

 $[\mathcal{O}_{R_{k+1}}]_{k=0}$

Shirt to

Chicago

WORLD COMMODITIES PRICES

Previous High/Low

OOCOA - London POX

BASE METAL prices settled back from earlier highs in the afternoon on the LME as the market started to pause for breath after its recent run-up. Dealers said the extent of the advances since the middle of on any solid fundamental factors. made many players nervous. After further early gains, most prices settled back under profit taking. Three-month COPPER slipped to the day's lows. matching Comex, and might test \$2,400 a tonne on the downside. ZINC was under pressure from profit taking. TIN breached the \$7,000 a tonne level. NICKEL and ALUMINIUM both touched London Markets

CONGON MAI	Wars	
SPOT MARKETS		
Crace oil (per parrel FOE)		+ or
Dukwi	\$18 75 8-85	-0.25
Brent Slend (dated)	\$20.55-0.65	475
Brent Bland (Aug)	\$20.75-0.80	. 375
W.TI (1 pm est)	522.00-2.10z	325
Off products (NWE prompt delivery per to	trune CIF)	+ 01
Promism Gestiline	\$223-231	4
Gas Oil	\$189-190	3
Heavy Fuel Oil	\$84-56	
Ngohtha Tutaninan Assum California	5202-203	45
Petroleum Argus Estimales		
Other		+ 01
Gold (per troy oz)	\$343.55	+13
Silver (per troy oz)	404 Oc	+5.0
Platinum (per troy oz)	\$381 25	+ 14 (
Paliadium (per troy cz)	\$81.90	+0.80
Copper (US Producer)	114.43c	+115
and (US Productr)	37.38c	
Tin (Kusle Lumpur market)	17 33r	+03
Tin (New York)	324.50c	
Zing (US Prime Western)	62.0c	
Cattle (live weight)	108.68p	-1.83*
Sheep (live weight)†�	73.19p	4.90
Pigs (live weight)†	84.41p	-7.64*
onden daily sugar (raw)	\$270.0w	+ 1.0
London daily sugar (white)		-1.0
Tate and Lyle export price	\$251.5	+15
Berley (English feed)	109.75	
Maize (US No. 3 yellow)	£149.0y	+ 2.0
Wheat (LES Bark Horthern)	Unq	
Rubber (Aug)♥	50.25o	
Rubber (Sep) W	50.25e	
Rubber (KL RSS No 1 Jul)		
		7.5
Cocurut oil (Philippines)§	\$567.5t \$385.9z	-7.5 -7.5
Palm Oil (Malaysian)§ Copra (Philippines)§	\$365.82 \$365.0v	2.5
Soyabeans (US)	£142 5	+1.0
Soyaneens (US) Cotton "A" kacex	65 90c	+ 1.0
Wooliops (64s Super)	3830	-10
E a tonne unicso otherwise c-conts/lb. r-ringgit/kg.(-Av		
AUG Z-AUG Hilms Comm	ATRICK DIVISION	na tak
tochorices" change from a	week ago ¥	Lando
physical. IGIF Flotterdam	Builton	marke
close, m-Malaysian censului	z ASheen nri	COS P

tat qa k

two-month highs. London's COCOA market also appeared to be entering a period of consolidation after the recent advance, but dealers said it could be set to resume its upward trend fairly shortly as there had been little sign yet of any significant selling by producers into the rally. Robusta COFFEE extended early losses to finish up to \$21 lower. depressed by weaker levels in New York amid talk of possible origin selling. Dealers said they did not expect any major move in coffee prices ahead of the next meeting of the ICO at the and of the month.

	- 4-	NO POX	(S per to
Rew	Clese	Previous	High/Low
Aug	235,60	PA3.00	242.00 237.00
Oct	220.60	224.80	224.00
Dec	204.00	212.00	206 00
Aug	203.00		205.00
White	Close	Provides	High/Low
Aug	289.00	290.50	290.50 286.00
Oct	270.00	273.00	172.50 256.30
	269.00		268.00 267 00
Mar	273.40		272.50 269 50
Muy	277.30		273.70 273.50
	er: Raw 3 434 (1138		of 50 tonnes.
			s): Aug 1483.57
1394,13			
C	OIL - II	THE STATE OF THE S	\$/0
	Late	st Previo	us High/Low
Aug	20.76		21 09 30 75
Sep	20.75		21.00 ED.70
Oct	20.70		20.83 20 70
VOV	20.66		20.00 20 95
	20.60		20.62 20.56
مهق	20 4		20.50 20 47
Fieto IPE Indi	20.30		20.35
	er 17500 (18322)	
mer o			\$70
	Coss	Provides	High/Low
	105.00	192.00	192.00 189.00
Aug	100 70	182.76	193.00 190 50
Aug See	192.25	195.76	195.00 192.25
Aug San Oct	192.25	195.75	195.00 192.25
Aug San Oct Nov	192.25 194.75 196.25	195.75 198.00 199.50	195.00 192.25 196.75 194.75 198.75 198.25
Aug Sep Oct Now Oec	192.25 194.75 196.25 197.50	195.75 196.00 199.50 200.75	195.00 192.25 196.75 194.75 198.75 196.25 200.25 197.50
Aug Sep Oct Now Oec	192.25 194.75 196.25	195.75 198.00 199.50	195.00 192.25 196.75 194.75 198.75 198.25
Jul Aug San Oct Nov Ose Jan Turnove	192.25 194.75 196.25 197.50 196.00	195.76 196.00 199.50 200.75 194.00	195.00 192.25 196.75 194.75 198.75 196.25 200.25 197.50
Aug San Oct Nov Oec Jan	192.25 194.75 196.25 197.50 196.00 er 13024 (195.76 196.00 199.50 200.75 194.00	195.00 192.25 196 75 194.75 198.75 198.25 200 25 197 50 195.00
Aug Sag Oct Nov Oec Jan Turnovi	192.25 194.75 196.25 197.50 196.00 ar 13024 (195.75 198.00 199.50 200.75 194.00 9601) lets o	195.00 192.25 191.75 196.75 196.75 196.25 200.25 197.50 195.00 of 100 tonnes
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97 87 (48.01)	
Gold (tray o	
Good facts	S pric
POTATORS - Loudon POX Utonne Opening	343.35 343.60
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Close Previous High/Low Afternoon fi	343.4
Apr 86.9 87 9 87.0 85.5 Day's high	343.80
Turnover 92 (41) lots of 20 tonnes. Day's low	343.4
Laco Ldn N	lean Go
1 morth	3.4
SCYANEAL - London POX Chome I mentitis	3.2
Gase Francis High/Low I martin	3.3
Aug 122.00 121 70 122.00 Süver fix	pitroy
furnover 50 (132)tots of 20 tonnes. Spot	212.00 217.40
6 months	222.7
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BFI 1091 (1G4 THAPES C	777061
(urnover 296 (22) Aluminium (99 75:1
	4 .
Strike price	\$ tonne
Strike price	\$ tonno
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The Close Previous High/Low 1250 See 171.80 111.24 111.20 111.70 1360 See 111.81 111.24 114.30 Copper (Close Internal	
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mė	I months	3.3	19	12 mai		3.42	
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-	Ne	WY	ork		
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•	Aug Sep	. 344.4	345.1	345.2	344,2
	Oct	345.3 345.2	0 346.9	0 346.9	0 346,3
	Dec	348.2	346.0	349.1	346.1
	Peti	350.3	351.0 363.1	350.7	350.7
_	Air	354,7	355.4	365.0	355.0
	Aug	357,1	357.8	0	•
	PLAT		roy oz; \$/tro		
		Closs	Previous	HighiLou	
-	Jul -	376.6 382.1	377.0 384.8	379.0 386.0	374,0 380.0
	100	380.6	383.5	355.D	380.0
	Apr	360.5	200	382.5	362.0
•	ST.VE	S.AM a	al ac seus	nael er	
		Close	French	High/Lov	
	M	407.8	400.8	403.0 0	401.6
	Aug Sep	404.6 - 405.8	402.6 403.8	405.0	0 404,0
	Sep Disc	410.4	400.1	81135 0	408.5 0
•	MAT	412.1 415.3	413.3	415.0	414.0
	May	410.0	416.6	ō	0
	Jul Sep	421,9 425,7	419.9 423.7	421.5 0	421,5 0
	Dec	431.4	429.0	5	0
	HIGH	GRADE C	OPPER 25,	100 lbs; ci	ints/lbs
		Cites	Previous	High/Los	
•	Jed	109.60	110.45	108.50	100.75
•	Aug Sep	109.50	110.66 110.60	0 110.35	109.06
	Dat	109.35	110.35	0	0
	Nov Dec	109,46	110.10	0	0
	Jan	108,65	109.50	*1391,300 Q	108,40
-	Feb '	108.15	T09.00	0 -	0
	Maz Apr	107.75 107.30	108.60 108.15	108,30 ·	107,50
-	-			-	•
. ;	SUGA	R WORLD	*11" 112.00	O lbe; cen	19/104
		Giore -	Panican	High/Low	
1	Jak	10.55	10.96	LW	10.30
•	Oct	9.78	9.97	10.00	2:46
•	Mar	9.55	9.72 9.66	9.80 9.71	9.35 9.34
	ikey Ad	9.47 9.39	9.60	9.62	9.31
	Cet	9.25	9,51	9.54	9.52

Total daily turnover 35,100 lots Sep	Keto di	osa Up	OU TOWN		Close	Previous	High/Lov				_
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Typid cally jurnover \$3,082 loss	1322-5	761	Lord .		21.53			21.48	. Ad	800/6	a
Total daily turnover 7,596 loss Feb 21,10 21,86 21,81 21	Total call	y lumover	33,932 lots								. 6
Total daily furnover 7,596 loss									i i	611/0	- 6
SSD-1					27,10	21.65	21.56	21,40			. 6
Total delly terrover 677 lots	Yotal da	ily turnow	er 7,298 loos			21,41					6
Page Page				Mary						y SESTE	6
Total daily turnover 2,106 lots				-							- 6
Total Gally European 2,106 lots	Total d	elly lumo	ver 677 lots							YABEAN O	EL 80,0
Total Gally turnover 3,106 lots 7 140-5 10,469 Total Gally turnover 20,516 lots 1317-6 10,715 100 100 100 100 100 100 100 100 100 1	7545-60	25 (200	. <u> </u>						COM	P
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Total daily turnover 20,518 ions	7140-5	10.4	486				8380	6190			. 2
STYLO BD.715 Fib. 6225 6825 6825 6826								6289	· De	21.41	
STAT-6 B)						6621		5390	· Jan	21.52	2
Company Comp	1317-0	ED,2	755			6396	-	6300	Ma	22.00 Y 22.02	2
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The picture poses a tantalising question, one which fascinates Mr von Rosen as he sits in his office working on plans to bolster Germany's standing as a financial centre: Is the lion about to catch the people? Or are they on the point of escap-

Mr von Rosen is inclined to see the picture as a metaphor for his own campaign. Is Germany about to make a decisive leap forward in its campaign to challenge London as Europe's chief financial centre? Or is the prize on the verge of slipping

These questions were discussed in this very room in January this year when Mr von Rosen was entertaining Chancellor Kohl on his first visit to the Exchange - by far the largest in Germany - in nearly 10 years in office.

Mr Kohl's visit to the exchange - he gave a talk to the flower of Frankfurt's financial and business community was charged with symbolic significance.

It represented a turning point in the government's attitude to the development of Germany as a financial centre. Hitherto, the Frankfurt stock exchange and the banks had been left largely to themselves

in their battle to enhance Germany's competitive position. True, in recent years the government had helped the German financial services industry through deregulation, for example abolishing stock exchange turnover tax and removing the obstacles which prevented Germany establishing its own futures and options market: or which stopped German companies from issuing

commercial paper. But, in his speech to assembled financiers, Mr Kohl was able to offer something new concrete and co-ordinated government backing for Finanzpiatz Deutschland, Germany as a financial centre.

The details of the programme had been rushed out



on the previous day. A paper drafted by Mr Theo Waigel, finance minister, outlined the government's backing for, *inter* ia; a centralised supervisory body for the Germany securities industry and a law against insider dealing (at present insider dealing is not illegal in

Germany). It also spelt out the government's support for: greater transparency of shareholder many's eight stock exchanges under one roof, the introduction of money-market funds (which give investors direct access to short-term moneymarket instruments); and further computerisation of stock-

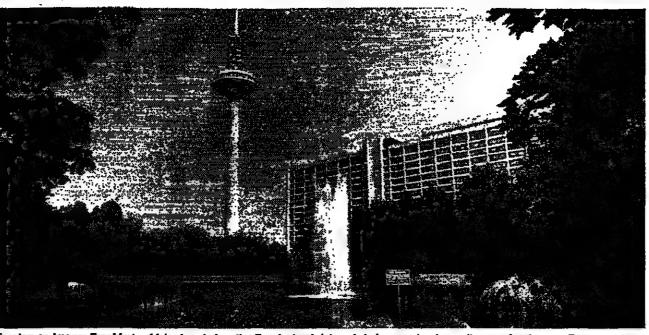
in decentralised Germany, Bonn is in no position to impose these changes. In signaliting its position clearly it has, however, brought pressure to beer on the numerous parties which must come to an

agreement before action can be taken, especially the Lander (states) which play a powerful role in stock market supervi-

Taken in total, the package could - in the long term help to give Germany's financial services industry a role in **Europe** commensurate with its status as Europe's strongest industrial power.

At present, Germany's status as a financial centre is somewhat schizophrenic. On the one hand. Germany has an ımassailably powerful position in European financial markets as a result of the Bundesbank and the D-Mark. Germans hope this would be consolidated if the European central bank were sited in Frankfurt or

On the other hand, Frankfurt has lost out when competing with other financial centres to provide a range of financial services, and the German



Forging an image: Frankfurt, which already has the Bundesbank (above), is hammering home its case for the new European central bank to be located there. (See page 3)

Pictures: Tony Andrews

Going for the lion's share

Is Germany poised to make a decisive leap forward in its campaign to challenge London as Europe's chief financial centre? David Waller discusses the programme being mapped out by the government to establish Finanzplatz Deutschland drive a significant proportion of turnover of the shares of

equity market is especially tricht. The threat to monetary underdeveloped.
The Bundesbank has been fighting inflation - success-

fully - for decades. This gives it, and the currency which it defends, unrivalled strength, and investors will always find reasons to buy D-Marks and

structurally sound is proven by D-Mark Bunds. Last year, for the ease with which the gov-IN THIS ISSUE ■PAGE 2: Sertin — Face to face with reality; The east — Spearheading the transition. ■Page 3: Bundesbank — Envy mixed with suspicion; Frankfurt — Flexing financial muscles. ■Page 4: Financial services — Sarriers blurred at the edges

ernment securities.

eroment has been able to use

the market to finance its

increased borrowings following

reunification in 1990. But a

sound bond market alone does

not constitute a strong finan-

cial centre, as the Finance Min-

istry paper implicitly recog-nised in January this year.

Germany's fragmented stock-

market structure is a source of

inefficiency and has helped to

example, domestic and international investors invested record amounts in the German Bund market (DM127bn and DM61bn respectively).

Their enthusiasm has been tempered by the unfavourable outlook for interest rates, but the attractions of Bunds and the currency were drawn into sharp relief by the result of the

and political union prompted Germany's largest companies investors to buy the D-Mark, and, at the very least, to hold to London. Germany has on to their Bunds while they started to hit back, in two sold off other countries' gov-First, the Frankfurt Stock That the Bund market is Exchange has promoted new

technology in a bid to bring back business to Germany. An increasing volume of trading is being handled by the IBIS system, introduced as an information exchange system in December 1989 but upgraded to a trading system for Ger-many's top 30 shares (and lead-

ing bond issues) in April last year. According to Mr von Rosen, this has succeeded in wrestling business back from the London-based SEAQ sys-

Second, as prompted by the Waigel paper, Germany's eight stock exchanges have agreed to come together under one roof as the Deutsche Börse (German Exchange), although it is not

clear when this will finally take effect.

Another key element of the Waigei proposals is the commitment to introduce insider dealing laws and a centralised regulatory body. Germany's failings on this count were brought into sharp focus last year as a result of a series of securities scandals in Frank-

by the leading financial institutions and - in principle, at least - by the governments of the Länder. The latter will have to cede regulatory powers to the centre, and it remains to be seen what form the new body will take.

The Waigel paper does not tackle - indeed could not hope to tackle - the weight of cultural obstacles standing in the way of Germany's development as a financial centre. Here are just two of the cultural barri-

■ The stock market plays a limited role in German corporate life: there are only around 660 listed companies in Germany and the capitalisation of the market is significantly smaller in proportion to GNP than in the UK or the US. Equity financing plays second fiddle to bank finance and the vast majority of quoted companies - all but about 50 - are majority-controlled by other corporate shareholders or financial institutions.

Liquidity in all but the biggest company shares is limited. Companies cannot easily be taken over and there are no share options to give German managers a direct personal interest in share price perfor

Domestic institutional investment is slight: insurance companies invest 85-95 per cent of their portfolio in government securities and the pension fund industry is in its infancy.

German individuals, with copious amounts of surplus cash, tend to avoid the equity market in favour of Bunds, in spite of better returns on shares. There are only about 4.2m shareholders in Germany

- around 5 per cent of the population – compared to 12m in the UK and 51m in the US, 20 per cent of the population in each case. In fact, the average German household is thought to spend more on flowers each year than on shares.

Many Germans will argue that the limited role of the stock market is a source of strength for the German economy, rather than a weakness, in that it encourages long-term thinking, liberating company management from the need to please short-sighted institutional investors.

Whether or not this is the case, it seems improbable that Germany can develop into a leading financial services centre without developing a financial culture as well.

Mr Waigel's plans represent an important step forward but it is likely that it will be some years before Mr von Rosen will finally be able to conclude that the lion on his wall has caught up with its

The Commerzbank report on German business and finance

Germany as a business location: facing new challenges

Germany's appeal as a business tocation has become a hotly debated issue again, with the country's economic slowdown and difficult pay negotiations adding to the prevailing scepticism as toits international competitiveness. For one thing, unification means that

several million economically viable jobs will have to be created in eastern Germany, making it imperative to improve its attractiveness as a production site. For another, Central and Eastern Europe are emerging as low-wage competitors, posing a threat to the jobs of Germany's less skilled workers in particular. Last but not least, the completion and enlargement of the Single European Market will increase the mobility of capital, which will boost direct investments in promising locations.

The decisive factors

The artractiveness of a country as a location is determined by a number of factors. Some are structural, such as the availability of raw materials, short distances to customers, communications, the qualifications of the workforce, the legal framework and political stability. Others, such as wages, taxation and government regulations, are more open to political influence.

International comparisons frequently highlight individual factors, usually wage costs and taxes. Western Germany's labor costs are among the highest in the world, even after allowance for its high level of productivity. And this problem has been aggravated by recent helly pay increases. Moreover, Germany's corporate taxes are very high and its environmental standards are quite tough.

"The present debate may be useful in achieving greater flexibility."

At the same time, though, the country offers substantial advantages. These include its highly qualified workforce, stroothly functioning banking system and efficient capital market. In addition; western Germany's infrastructure is very good, the country is politically stable and its economic policies are geared to main-

taining monetary stability. Moreover, its attractiveness as a business location has been enhanced by the end of the Cold War. The domestic market for German companies has expanded considerably; economically speaking, Germany is now at the heart of Europe.

Occasionally, its lopsided direct investment balance is cited as evidence of its waning attractiveness. Over the past three years, its companies

have invested DM 97 billion abroad, while the flow of funds in the other direction has amounted to only DM 19 billion. Yet for a capital-rich country, this is no cause for concern; in fact, over the same period, domestic business investment totalled DM 960 billion.

At least as far as technologically sophisticated goods are concerned, competition in the world's markets focuses on innovative products and intelligent production methods. With regard to R & D spending, German firms are among the leaders internationally, devoting a fifth of such outlays to basic research - considerably more than their competitors. What needs to be improved, though, is the commercial application of new products and manufactur-

The new challenges facing Germany make flexible responses essential: in the overly regulated labor market; in public finance, where the reduction of subsidies and state spending should help keep deficits under control and cut corporate

Western Germa	ny's streng	ths and weal	messes
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taxation; and, generally, in terms of eliminating unnecessary regulations. Although the present debate tends to exaggerate the problem, it may be useful in achieving greater flexibility and in mobilizing public support for much-needed structural changes. Given the right signals from the Government and moderate pay settlements, Germany has a good chance of maintaining its current high income levels without seriously jeopardizing

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Face to face with reality

Berlin swiftly reclaiming its pre-war role as the most important German economic and financial centre have collided head-on with reality. West German banks have neither upgraded their presence in Berlin since unification nor considered moving headquarters

to the city. Bankers are unanimous in belleving that Berlin's financial future will be as a regional banking centre which will scarcely make a dent in Frank-furt's dominant position. More than 150 banks operate in Berlin compared with 95 in 1989.

Among the newcomers establishing branches were 24 foreign institutions and several private banks including Trin-kaus and Edmond de Rothschild's Banque Privée. The Americans, however, apart from Citibank, an investment bank and a broker, are content to observe the Berlin scene from Frankfurt.

"At present I don't see a real demand for Berlin to be a financial centre." Mr Kurt Kasch, board member of Deutsche Bank in Berlin and a frequent critic of the city's inward-looking political and branch is the largest of DB's 16 main branches and is responsible for two and one-half east German Laender plus Berlin. Unusually, it also arranged the bulk of Deutsche Bank's government-guaranteed Hermes export loans last year to east German companies trading with the CIS states.

Mr Kasch said that as long as the German Government and parliament were not in Berlin there would be little chance that the major German banks would upgrade their presence in the capital. But the move from Bonn to Berlin has been delayed for financial and bureaucratic reasons and is not

expected to begin until 1998. Mr Egbert Steinke, spokesman of the Berlin Chamber of Industry and Trade (IHK), said the delay in Berlin's transformation into a working capital is also negatively affecting the move by service-oriented businesses to the centre of east Berlin where the government government ministries. Berlin



Berliner Bank is poised to become Germany's seventh largest bank by merging with Landesbank Berlin, the former

still holds a 56 per cent share.

out east Berlin by its takeover of Berliner Stadtbank and is

well represented in the sur-

rounding state of Brandenburg

with its capital of Potsdam.

The recent green light given by

the city government to BB's

plans to merge with Landes-bank Berlin, the former Spar-

kasse of Berlin, means that it

would overnight become Ger-

many's seventh largest bank

and the only one with head-

quarters in Berlin. Dr Kurt

Fischer, a board member of

Berliner Bank and chairman of

the Central and East German

Bank Federation, has been

active in carving out a new

role for his bank which he

stressed was a "private" one.

He too saw little sense in Ber-

lin attempting to duplicate

financial functions of Frank-

furt and that it would be a

"long time" before financial

institutions in Berlin would

BB gained branches through-



has been enhanced since 1990 by serving as the financial base for the operations of the big four west German banks in the northern part of east Germany and has become the centre of a regional banking network established by Berliner Bank (BB) in which the city

"We cannot move the head offices of the banks, the people. the buildings or the technology from Frankfurt," he remarked. He and other Berlin-based bankers warn against neglecting the medium-sized producers, once a mainstay of the city, who were now being field sites in eastern Germany. Banks earned more from producers than from service companies and they, in any event, were slow in coming to Berlin

Mr Fischer said. The economic recovery of eastern Europe would enhance Berlin's role – Poland is only 90km away – but it is still likely to be years before such a revival takes place. Plans by Mr Manfred Stolpe, the prime minister of Brandenburg, for a special German-Polish economic development zone on either side of the border, have been placed on ice. The government does not have the money to launch so ambitious a project as long as eastern Germany continues to drain its

resources.

Across-the-border economic tles between east Germany and Poland are also hindered by the creaking Polish telephone network - it takes at least four hours to get a call from Frankfurt an der Oder to Slubice across the river - and monumental delays for truck traffic at the border and on inadequate Polish roads. Additional crossing points are to be built but few companies will invest in either western Poland or the east German border area until the infrastructure has

been greatly improved. Meanwhile, the lack of native-owned and managed privatised east German compa nies - as opposed to east German subsidiaries of west German companies - has placed a damper on hopes the miniscule Berlin stock exchange might attract east German companies. Mr Dieter Hiss, president of Landeszentralbank Berlin, doubted it would be used by newly-privatised east German companies. Given the choice they and east European companies seaking a probably opt for Frankfurt.

David Waller discusses the financial services sector in the east

Spearheading the transition

the summer of 1990, there was no private sector financial services industry in the eastern part of Germany. Since then, banks and insurance companies have been at the cutting edge of the transition to a mar-

Drawn by the prospect of. early responsibilities, young tives have flocked to the new Länder in their thousands. while middle-aged executives and their families have moved eastwards in the hope of adventure.

East Germans have travelled in the other direction, the will-ing recipients of a massive private-sector education programme, the aim of which is to turn those brought up under communism into fully-functioning capitalists. The first graduates of these training schemes are returning to take up management positions in the east.

The biggest investment in the east has come from those institutions which bought the old state banking and insurance monopolies. Others have been building their businesses from scratch.

In the banking sector, Deutsche Bank and Dresdner Bank, the two largest banks in Ger many, bought the Staatsbank, the old state sector bank, from the Treuband privatisation agency, parcelling out the branch network between them:

Allians, the Munich-based insurance giant which ranks as one of the biggest financial institutions in Europe, bought Deutsche Versicherungs (DVAG), the former East German state insurance monopoly. There are 35,000 employed in east - 14,000 at the Allianz operation - and this is expec-

ted to rise to 50,000 by 1996. Information from the Cologne-based German Banks' Association shows that by May this year, 47 banks were active in the east, with around 750 branches, likely to increase to 1,000 by the end of next year. The total invested in buildings, fittings and information technology amounted to DM2.7bn by May, with another DM2.3bn earmarked for spending by the end of 1993.



Saving on a rainy day: tlashback to monetary union in 1990 when East Berliners queued patiently to sort out their banking affairs. Since then, the financial services sector has been

banks employed around 19,000 people in the east, of whom 4,600 were from the west. Total lending amounted to DM50.5bn, of which 83 per cent is lent to corporate clients rather than private investors. Nevertheless, the volume of lending to individuals has risen from DM1.8bn at the end

of 1990 to DM8.5bn: As Professor Otmar Issing, Bundesbank director, observed last month, one minth of all bank lending in Germany is now done directly in the east, and further large sums are lent in connection with west German firms' investment in the

Many of the banks claim to have made a quick return from their business in the east, heavy investment notwithstanding. This is less due to their entrepreneurial skills or the burgeoning demand for credit, than the fact that the state has indirectly given them a helping hand. Until the beginning of this

year, the banks were shielded from the real risks of doing

At the beginning of May, the business in the east. Guarantees from the Treuhand ensured that the bulk of the lending done in the east was risk-free: if the borrower went under, the debt would be repaid by the Treuhand. The interest rate charged for such loans was lower than would be charged for normal commercial business, but it was still comfortably higher than the banks' cost of funds. Critics have complained that the banks charged too much for a risk-free loan, while the banks have defended themselves by saying that the amount of time they spent with their new customers,

> Even now, several months after the Treuhand said it would out a stop to new guarantees, more than two thirds of the total loans outstanding in the east are protected. Business done at the banks' own risk has risen from DM4.8bn at the end of 1990 to DM15.3bn at the end of March this year. In future, it will be harder

helning them to get to grips

with the basics of business in a

free-market economy.

ties to lend according to normal commercial criteria. Given the lack of basic business skills in the east and the absence of anything amounting to credit history, it is inevitable that bad debts - and provisioning against them - will increase

Even now, the costs of investments are beginning to tell, most notably at Deutsche Bank. Even though the bank's activities in the east account for a relatively small part of total business, its investment there meant that staff and operating costs rose by DM1.5bn to DM10bn last year, disappointing analysts when the bank announced its figures in April

The question of costs is much more pronounced at Alli-anz, which laid out DM711m in two stages to buy DVAG. On top of that it seems likely that the eastern operations will lose more than DM1.5bn in operating losses before it starts to make an operating profit, perhaps in 1996. It will go into cumulative profit at some stage in the early part of the next century. If the cost of funds is taken into account, the payback will come even

While Anglo-Saxon analysts scratch their heads and observe that the deal does not make sense according to normal commercial criteria, Allianz is convinced it has made the correct strategic decision.

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It was based in Berlin before the Second World War and feels that it is returning home by buying DVAG. It also belives that the prospects for the market in the east are excellent - before reunification Bast Germans spent on insurance about one tenth of their West German neighbours and there is thus lots of catching up to do. Allianz also belives that rival insurers will have to spend even more money to build their businesses from scratch.

The long-term prospects for the financial services sector in the east depend, of course, on the development of the east German economy overall. Sadly, not all industries have invested as vigorously and as early as the banks and insurance companies.

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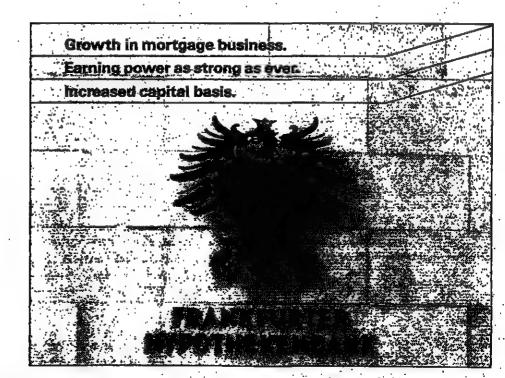
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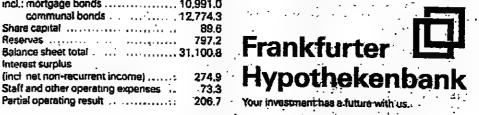
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New loans	3,512.8
of which mortgages	1.540.4
loans to the public sector	1,972.4
Sales of bonds	
and other borrowings	3,222.6
Loan portfolio	28,679.2
of which: mortgages	14,009.6
loans to the public sector	14,669.6
Outstanding bonds and	
other borrowings	28.070.8
incl.: mortgage bonds	10.991.0
communal bonds	
Share capital	
Reserves	
Balance sheet total	31 100 8
Interest surplus	
(incl net non-recurrent income) ,:	27/ 0
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" Taxes	91.2
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European Finance and Investment: GERMANY 3

For years, the Bundesbank has been at or near the centre of world monetary affairs

Envy mixed with deep suspicion

GERMANY'S central bank, the Bundesbank, is regarded with envy, respect, and sometimes awe by its admirers and with scepticism or deep suspicion by its critics and detractors.

For years, the Bundesbank has been at or near the centre of world monetary affairs, its. importance increased by western Germany's steady post-war rise to economic prominence and bolstered by its legally guaranteed independence. Today, the D-Mark is by far the most important currency in western Europe and a vital element in the move towards economic and financial cohesion

But it is these very attri-butes which lead to concern among those who dislike the

Bundesbank's dominance of EC monetary affairs and the European Monetary System (EMS). On the one hand, the link with the D-Mark has enabled countries such as France to pursue stability-oriented policies which have brought inflation down to a level lower than that in west Germany, currently bearing the burden of trying to integrate its new eastern states.

But this French success has not been without economic cost, especially in terms of employment. The UK; which belatedly joined the EMS though with a wider margin of currency fluctuation than the core members - is also bringing down inflation successfully, but is finding that the

cure for past monetary laxity is painful. It is hardly surprising that those opposed to the Bundesbank's dominant role in EC financial affairs find it easy to point the finger of criticism at the Frankfurt central bank-

The truth is, though, that the Bundesbank did not seek out this role. It is a natural consequence of the so-called anchor position of the German currency within the EMS and its part in helping to promote economic convergence in the European Community. This reflects both the efforts of the Bundesbank to help promote growth in Germany at the lowest inflation rate possible - it would like to see the latter back to 2 per cent from the

present 4 per cent plus level ~ and the strength of the country's economy.

However, an assessment of the Bundesbank now has to take two outstanding new factors into account, neither of which featured in the four decades after the Second World War. The first is German unification, which has put massive pressure on public finances and left the Bundesbank struggling to contain the impact. The second is the drive towards European monetary nnion (Emu) and economic union, with political union also on the agenda.

The rejoining of west and east Germany was a momentous event, but it has left the united country with a big

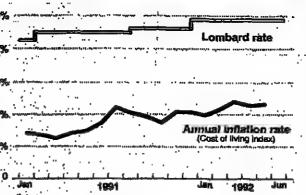
financial headache. After first promising voters that no tax increases would be necessary to pay for the consequences of unification, Chancellor Helmut Kohl's centre-right coalition government found it quickly had to backtrack. It has also had to borrow heavily to help meet the spending commitments in east Germany, which turned out to be in a much worse economic and environmental state than most experts had realised.

This year, everything seemed to come to a head. Inflation advanced to a peak in March of 4.8 per cent. well above what the Bundesbank and most German citizens regard as accept able in a country which suffered grievously from the horrors of runaway prices earlier this century. Wage negotiators slapped in demands of around 10 per cent and the country was threatened with a wave of damaging strikes at a time when economic growth was less than robust. And pub-lic confidence in the Bonn government's ability to keep control over its finances sunk to a

in the midst of all this, the Bundesbank has been trying to steer a tight monetary course. Last December, it lifted official interest rates further to try and ward off inflation and make clear to employers, employees, unions, and the government that it was not prepared to accommodate unreasonable pay, price, and spending rises. This left the discount rate at 8 per cent and the more important Lombard rate at 9.75 per cent, levels which are uncomfortably high for the rest of Europe.

over the crucial period





Coming just as the Masstricht treaty on EC monetary and economic union had been signed, the German rate increases led to accusations that the Bundesbank was operating selfishly and without enough regard for the needs of other countries. Those charges have faded as it has become clear that the central bank is faced with a serious problem of inflation and that it has proved hard to convince the west German public of the need to tighten its collective belt to meet the financial challenge of militarion.

But German interest rates do not look like coming down for some time yet, maybe not even this year. The Bundesbank regards the 1992 wage deals as still too high, even though they were below 6 per cent compared with the 7 per cent of

last year. Unit labour costs will rise by some 4 per cent this year, a figure that the bank said recently was "not reconcilable with the aim of price stability". Even so, it is hopeful that next year's pay deals will be more moderate, now that a damaging strike has been

avoided in the car and engineering industry with an agreement for a 5.8 per cent rise this year and one of 3.4 per cent for 1998. It is still worried though, by the price rises of 6

per cent or so in the building and service sectors, stating that "considerable inflationary tensions still exist".

In outlining its determina tion to tackle these, the Bundesbank also brings its wider European responsibilities into the argument, thus countering those who allege it has acted against the spirit of Maastricht. Because other countries like France, the Benelux countries, Italy, the UK and Spain have tied their currencies to the D-Mark through their membership of the EMS, the performance of the German currency is vital to the process of economic convergence which precedes Emu, if it ever comes about.

Thus the Bundesbank sees it as its domestic and European duty to bring down Germany's inflation rate and preserve the monetary stability upon which the EMS is based and on which Emu will depend. It is also concerned about the fact that German money supply has been growing far more rapidly than the target figure, partly because of bank lending to finance east German corporate investments but also because of the attractiveness of high short-term interest rates.

With Mr Helmut Schles inger's presidency of the Bundesbank due to run for just over another year, the institution's stern anti-inflationary efforts are set to continue in force. But it is not just Mr Schlesinger's legacy that is at stake. His successor, Mr Hans Tietmeyer, the present deputy over the crucial period preceding the attempt to introduce Emu. He believes that countries wishing to participate will have to make strenuous efforts to meet the Maastricht criteria and that goes for Germany

Andrew Fisher

Frankfurt plays psychological card to win the European central bank

City flexes financial muscle

many German bankers and politicians these days, just about the only way the country's sceptical citizens could be induced to part with their treasured D-Mark in exchange (Emu) would be to put the proposed European central bank in Frankfurt.

This is the efficient, modern, but bardly scintillating city on the River Main that is home to the Bundesbank, the German central bank which puts a premium on stability, as well as to the country's leading commercial lumbo

Ever since the Second World War, the central bank has seen to it that Germany's steady sconomic growth has been accompanied by inflation rates which are the envy of most ofthe western world.

It is this very record of successful monetary management that lies behind the German drive to have the European central bank located in Frank-

"The stable policies of the Bundesbank are closely linked in people's minds with Frankfurt," asserts Mr Martin Kohlhaussen, the chief executive of Commerzbank. "This is a successful track record which

goes back for many years." The Bundesbank itself has that it sees Frankfurt as the only leasible candidate for the

Not all its officials feel that the new institution has to be in Frankfurt, though they are fully behind Germany as the country of location.

However, there have been enough references in speeches and interviews by German central bankers to Frankfurt's suitability as the home of the ECB to raise some hackles

"Stability is regarded as being at one with the D-Mark and Frankfurt," says Mr Otmar Issing, one of the Bundesbank's executive directors. -We see a decision for Frankfort against this background." in the view of Mr Issing and other proponents of the city, it will not be enough that the ECB will be set up largely along Bundesbank lines. It must, he adds, "also be backed up by people across Europe saying 'this must be done in Frankfurt'."

By playing the psychological card, German policymakers hope to convince other EC members that Frankfurt is, as Mr Kohlhaussen puts it, the "obvious and logical" choice for the ECB, preceded by its forerunner, the European Monetary Institute.

In other words, not only Germans would be reassured by the choice of Frankfurt, but so would citizens in other countries whose governments and central banks have a less solid apti-inflationary record. There are signs that this realisation is getting through,

but this may not necessarily

benefit Frankfurt. Recent German press reports have suggested that the agreement of the French, British, and other governments to locating the ECB in Germany may be dependent on its being somewhere else than Frank-

furt, namely in Bonn.
This is to avoid giving Frankfurt any special advan-tage as a financial centre over London and Paris, its main European rivals.



Frankturt efficient, modern, but hardly ecintificating city that is home to the Bund

It is a moot-point whether Frankfurt would gain much new business from having the

The city would certainly have an enhanced status as the location of the central institution of Emu, assuming that this really does take place around the end of the century. But trading in the financial markets would not necessarily benefit from the fast that ECB policy was decided on the

There would still be ealthy competition between financial centres", says Mr Kohlhaussen, "Frankfurt would not be superior to other

Enumerial cities." But a decision against Frankfurt for the RCB would he reckons, "be a very unfortunate signal".

Mrs Gabriele Rick, the head of Frankfurt's economic development corporation, feels the same: "The loss of the D-Mark taken extremely seriously by ordinary people." Frank-furt, she adds, also has good communications, is not too big, and has attractive cultural offerings and beautiful hilly and wooded surround-

Whatever the politicians finally decide, however, the fact that Frankfurt's bankers and officials feel positive enough about the city to promote it as the site of the ECB - with strong backing from Chancellor Helmut Kohl - is proof of its growing confidence

as a financial centre. Both Mr Kohl and Mr Thee Waigel, the finance minister, have stressed that they want to see the city develop its financial muscle, not least cause of the extensive capital-raising programme that lies ahead to help finance Germany's own reunification and the economic reconstruction efforts of eastern Europe.

This means a more effective centralised stock exchange stam based on Frankfurt as the pre-eminent German bourse. It also involves tighter rules on insider trading, much more transparency in company share registers, and fewer restrictions on investment

Moves to implement these changes are under way; although it remains to be seen how quickly they will happen. Meanwhile, Frankfurt waits to see if it will be the favoured

It still seems to have the edge over London and Luxembourg, with Amsterdam regarded as the main threat. But a lot of water will have

choice for the ECB.

to flow under the bridges of the Main before the rest of the EC accepts Germany's claims

Andrew Fisher

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MONE AND CAPITAL MARKETS REPORT

INVERSION IN ITS FOURTH YEAR **GERMAN BOND MARKET**

Among the major industrial countries, only the United States, Canada and Japan still have a normal rate structure. In the other G7 countries, shortterm investments yield more than longer-term commitments.

The "topsy-turvy" structure of interest rates observed in Germany since May 1989 is constantly giving rise to conjecture. The rate differentials in favour of investments at the short end, ranging from call money to fixed deposits and medium-term bonds, provide arguments which both pessimists and optimists can use to prove their case.

The pessimists regard the inversion as an indication that interest rates are bound to reverse course in the foreseeable future and start moving up again. In their opinion, the Inordinately high public debt and the rapid expansion of the money stock call for a further tightening of monetary policy.

The optimists do not agree. They point to a similar inversion of bond rates in the late 1970s and the early 1980s. At that time, the "shorts" also yielded more than the "longs". In addition, past experience has shown that the periods of interest-rate inversion in the capital market are limited. The period in the previous cycle was 35 months-exactly the number of months capital market rates have been inverted in the current cycle. What is even more Important to the optimists: During a period

of inversion, interest rates tend to peak and then reverse direction for good. This was the case in the early 1980s: Rates became inverted in September 1979, reached their upper turning point in September 1981, and then returned to their normal pattern in August

The 1981 precedent

According to those who believe that yields are past their peak in the current cycle. money-market rates will fall noticeably as soon as the Bundesbank relaxes its monetary policy and the large amounts of liquidity still parked in high-yielding fixed deposits will be switched into fixed-income securities, thus accelerating the downtrend in interest rates. This, at any rate, was the course of events after the 1981 peak.

The interest-rate situation in most other industrial countries is similar to that in the Federal Republic. The lockstep dance in rates in Europe (in Britain, France and the other European industrial countries) is due to the mechanism of the European Monetary System. In all of these countries, short-term investments offer a higher return than longer-term commitments.

Among the G7 countries, the world's leading industrial nations, only the United States, Canada and Japan have a normal, positive yield curve (short-term rates are below long-term), which is also regarded as desirable from the monetary and stability point of view.

While both the Fed and the Bank of Japan are cutting interest rates to stimulate the economy, the Deutsche Bundesbank is facing a completely different dilemma. The growth rate of the broad-

1980 **-** 100 Suyerische Landesbani Bank notes in circulation [--240 220 200 180 160 140 Nominal GNP 100

Despite a growing trend towards cashless payments, the volume of bank notes in circulation has been outgrowing the nominal GNP in the past few years. If we use 1980 as the base year, note circulation at the end of the year will be some 130 per cent higher than it was twelve years ago. By comparison, GNP grew by a "mere" 85 per cent during this period. German unification gave a big boost to note circulation, which expanded by some DM 20 billion. The disproportionate rise is also due to the fact that foreigner's D-mark holdings have Increased. In some countries, the D-mark has obviously become a (value-retaining) parallel currency. This is obvious from the rise in the number of DM 1,000 notes in circulation. While back in 1980 these notes had made up less than 11 per cent of the total note circulation, they accounted for close to 26 per cent in 1991. It is to be expected, given the popularity of D-mark notes in some neighbouring countries, that the note circulation will continue to grow at a faster rate than GNP.

Bayerische Landesbank

1991 were the culmination of the Bundesbank's high-interest-rate policy, this cannot be taken for granted. Germany's

although this is partly due to special factors.

based money stock M 3 (currency in circulation, sight deposits, time deposits for less

than four years, and savings deposits at statutory notice) is much higher than the target.

European neighbours are voked to the Bundesbank's monetary policy via the European Monetary System. This means that they have to follow in Frankfurt's footsteps, unless they are prepared to see their currencies weaken within the margins set by the EMS or agree to a realignment and thus to a redefinition of these margins. There are two obstacles to a relaxation of

This is why investors and borrowers have

adopted a wait-and-see attitude. Although it

seems that the key-rate litkes of December

monetary policy in Germany: the inflation rate, which is above the level the Bundesbank is willing to tolerate, and the money supply, which is still expanding at a fast rate. True, the rise in consumer prices willthanks to the base effect (the increase in the tax on hydrocarbons at the middle of last year caused a disproportionate rise in the index)-return to the 3 per cent range as early as in July, but inflationary pressures look likely to mount again in the further course of the year.

Realistically, one should not expect any loosening of monetary policy before the money-supply growth begins to slow down. Until this happens, interest rates will be prone to fluctuations. This all the more, as only a minor stimulus, for example, speculation about a tightening of the rules proposed for the taxation of interest income. is needed to trigger moves in either direction.

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IN GERMANY, as in other eighties and early nineties. there has been a gradual blurring of the barriers between insurance and banking.

Driven on by the idea of Allservices which straddles the traditional divide between insurance and banking - German banks have moved into insurance and insurance com-

panies into banking.
The rationale for this is straightforward. Banks profit from adding insurance to their product range, while insurance companies prosper from get-ting access to the bank's distribution network and customer

As in other European countries, co-operation has taken a number of different forms: one leading insurance company has bought a majority stake in a bank; banks and insurance companies have exchanged share stakes and set up crossmarketing agreements; a num-ber of banks have set up their own independent life assurance subsidiaries, including Deutsche Bank, the largest in Germany, which set up its own operation in 1989.

GERMANY has become a hotbed of hostile mergers and acquisitions activity - a hotbed by German standards, that

German companies have traditionally conducted their M&A business behind closed doors and done their deals on friendly terms. This still remains the case for the majority of transactions, but at least four recent "situations" show how aggressive tactics have started to creep into the German M & A market place.

The four cases are Pirelli's assault on Continental, a battle between two of Europe's leading tyre companies; in the insurance sector Aachener und Münchener Beteilgungs' (AMB) tussle with Assurances Générales de France (AGF); Krupp's takeover of rival steel-maker Hoesch and – less prominent but still significant – the take-over of Sabo-Maschinenfabrik - a manufacturer of lawnmowers – by the German subsidiary of the US-based John

Deere group.
The Conti-Pirelli saga started
in late 1990 when Pirelli, the big Italian tyre company, initiated a campaign to get control of Continental, its German

The Italian company never

In practice, a number of seriin the southern part of eastern Germany. The cartel office ous complications have arisen, highlighted earlier this year by the Bundeskartellamt's (Fedbelieves that - taking account of a web of shareholdings in eral Cartel Office) attack on other German insurance companies - Allianz has an links between Dresdner Bank

- Germany's second biggest bank - and Allianz, Ger-The two parties jointly many's biggest insurance comdenounced the cartel office's The Berlin-based cartel office ruling. They say that it is nonsense to suggest that Allianz dominated decision-making on has ordered Allianz to reduce its 22.3 per cent stake in the the Dresdner Board, and dishank accusing it of exercising undue dominance over Dresdmiss the argument that Allianz is stopping Dresdner from setner's management. It said that ting up on its own as hypothetical. They point out that as Allianz exercised enough influence over the Dresdner board to prevent it from taking a long ago as 1987 Dresdner took decision to set up its own life subsidiary, as Deutsche Bank a decision not to set up on its own. The bank cannot be predid, thereby restricting compevented from doing something it has never wanted to do, they tition in Germany's DM60bn-

domestic market.

Analysts suggest that there is considerably more to this imbroglio than meets the eye. Dresdner is rumoured to have been astonished - and discon-

unhealthy dominance of the



Hitmer Kopper: pleased with

anz stake when it emerged last year. Moreover, there is speculation that it may now regret its decision not to set up on its

Deutsche Bank's own life

certed - at the size of the Alli-

Wolfgang Röller: retired early as Dresdner's chief executive

subsidiary - DB Leben - has been a success and Hilmar Kopper, Deutsche's chief executive, never tires of stressing how pleased the bank is with its investment. Contrary to Deutsche does not appear to have alienated the insurance industry. At the time it was thought likely that Deutsche would lose business from its insurance clients - especially on the securities and investment management side – but this has not happened.

Thus - conspiracy theorists argue - Wolfgang Röller, Dresdner's chief executive, may indeed have started to entertain the idea of setting up its own subsidiary, but is now prevented from doing so because of Allianz breathing down its neck. The theory is lent credence by Mr Röller's decision to retire as chief executive earlier than expected and to take up the post of chairman of the Dresdner supervisory board. Had he not done this, the post could have gone to Wolfgang Schieren, Allianz's recently retired chief execu-

Barriers are blurred at the edges of the situation is denied by the two institutions. In public they remain committed to their marketing agreement and they have rebuffed the cartel office's criticisms, thus opening the way to a long drawn-out legal battle. In a recent interview with the Financial Times, Mr Henning Schulte-Noelle. Schieren's successor as Allianz's

chief executive, said that Dresdner was quite free to take whatever strategic steps it liked, even if they conflicted with Allianz's own interests. "It is simply not true that we in any way dominate the man-agement of the bank," he insisted. "We are not in a position to do that, given the size of our holding - nor do we have the ambition to do that. It would be in conflict with our basic philosophy as an inves-tor. The shareholding in Dresdner is a very good long-term financial investment for us."

The Allianz/Dresdner affair has caused a few headaches for the management of the two institutions, but nothing on the scale of the complications caused by the decision of Germany's second largest insurance group to buy a controlling stake in its own bank.

Aachener und Münchner Beteiligungs (AMB), Germany's number two insurer after Allianz, bought a majority stake in BfG Bank - a big German bank - in 1967.

As a result of a series of disasters, the bank has cost its parent company a colossal DM2.65bn so far. AMB itself is now on the receiving end of what it calls a hostile takeover attempt from Assurances Générales de France, the big French state-owned insurer which has amassed a 25 per cent plus stake in the German

This was more than AMB bargained for when it acquired a stake which was supposed to offer an opportunity for cross-selling. Nor is it a good advertisement for the Alifinanz con-

David Waller

MERGERS AND ACQUISITIONS

Doors open to reveal hotbed of hostility

control Meanwhile, Continental fought tooth and nail for Independence, losing a chief ultimately forcing the Italians to retreat.

It also ordered the two insti-

tutions to cut back their mar-

keting co-operation in western

Germany and to abandon plans

to pursue further co-operation

plus market.

On December 1 last year mounting financial problems led Pirelli to withdraw from talks and consequently from its takeover attempt. However, there has been a resurgence of hostilities during the past few months.

The two companies, which say they have not ruled out the idea of a full merger in three or four years' time, are now squabbling once again. Pirelli, which has a 5 per cent stake in Continental plus options over a further 34 per cent, will early this month launch its second attempt to overturn voting restrictions which limit a shareholders' vote to 5 per cent no matter how big that share-

For its part, Continental has



Gerhard Cromme: tactics are

hit back by demanding repayment of the dividend it paid to Pirelli last year. The situation is complicated by the fact that the two compa-

nies are still in friendly talks over the sale of some of Pirelli's non-tyre businesses which Continental would like to buy - and Continental would like Pirelli's support for a move which allow it to raise DM150m

If the Continental/Pirelli saga has been marked by complexity and vituperation, the AMB/ACF affair has been even more complex and vituperative. So far, it has proved

equally inconclusive.

AMB. Germany's second biggest insurance group, is fight-ing off the attentions of AGF, the big state-owned French insurance company which has amassed 25 per cent of the German company's shares. AMB first approached the

French company in April 1990 with a view to co-operation in the run-up to a single European market for insurance. When the French company came up with concrete proposals, AMB decided that AGF wanted control not co-operation. Than relations between the two companies became sour, and have become steadily

AMB is now refusing to reg-ister the voting rights on the

which it is entitled to do under an arcane part of German company law. AGF is planning to attack Mr Wolf-Dieter Baumgartl, AMB's chief executive, at AMB's forthcoming annual

Audit firms have been retained by both parties to prove the legitimacy, or otherwise, of a series of transactions entered into by AMB. AGF is trying to bring in Crédit Lyonnais, the big French bank, as a buyer for BfG Bank, AMB's troubled banking subsidiary.

By comparison, the Krupp, Hoesch takeover seems a model of sweet-tempered co-operation. This is not, however, how it would have seemed to the Hoesch management board, and in particular to Mr Kajo Neukirchen, who was appointed chief executive last summer:

Mr Neukirchen had ambitious plans to restructure the taken somewhat by surprise ered that Krupp had acquired a 24.9 per cent stake in the com-

At this point, Mr Neukirchen said that Krupp's tactics were "unfriendly". He did not repeat this allegation - probably because he did not have time. Mr Gerhard Cromme, chief executive of Krupp, said in the

Incressing numbers of foreign investment bankers have set up shop in Frankfurt

autumn that a majority of Hoesch shareholders were in favour of his plans. By the end of the year, Krupp had taken-its direct holding in Hoesch to more than 50 per cent. There was little that Neukirchen could do to preserve Hoesch's

Relations between the two companies never degenerated into outright hostility. Never-

sented a break with tradition. Krupp and Hoesch had flirted with the idea of co-operation for decades, and it is likely that they would have carried on talking for another decade or two had it not been for Krupp's share purchases. Krupp moved rapidly and decisively, leaving Hoesch with minimal room for manoeuvre. By German standards, the

stratagem counts as hostile.
The Sabo affair received less publicity than that of Hoesch/ Krupp - the company is small, with turnover of DM125m last year - but its consequences for the future of German M & A may be far-reaching, too.

In March last year a group of German institutional investors including the Colonia insurance company - mounted a successful challenge against. Sabo's voting rights restric-

Once these were overturned. it was only a matter of time before the company lost its

independence and in August John Deere of the US announced that it had bought majority control of the German соправу.

Like Krupp/Hoesch, the episode was unusual for Germany first because the institutions took such an active role in removing the voting restrictions and, second, since it was done against the express wishes of Deutsche Bank, Germany's biggest bank, which sided with the management of Sabo against the insurers at the vote last year.

Scenting that the German M&A market is undergoing a fundamental change, increasing numbers of Anglo-American investment bankers have set up shop in Frankfurt over the past two to three years. These include Morgan Stanley, Goldman Sachs, Wasserstein Perella and Kleinwort Benson.

Whether there is enough work to go round, is another question: German companies rely on their commercial banks or on in-house expertise and it is noteworthy that neither Krupp nor Hoesch employed an investment bank until after

SFOR 1992

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Most Important BUSINESS

Following the excellent figures in LAF'91 (the German survey among decision-makers) there was further confirmation of Handelsblatt's position as Germany's business and financial daily newspaper in the EBRS '91 (European Business Readership Survey 1991). Asked which publications they

Frankf. Alig. Zig. Die Welt Stiddentsche Zig.

considered of importance for their work, 39% of those surveyed in Germany named Handelsblatt ahead of all other publications. If you would like to know more about Handelsblatt in the EBRS '91, call or write to: Handelsblatt, Brian Howard/James Colquhoun, Thavies Inn House, 3-4 Holborn Circus, London

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49 18 (3/1/75)

127.40

(9/1/35)

89 62

85.11

(1/4)

LONDON STOCK EXCHANGE

Firmer close after an erratic session

- First Dealings: Jun 15

Account Dealing Dates

Jan 20

Jul 20

'Herr-time dealings may take place from 0.30 km two business days seriar.

uneventful, and brought no

news on the oil group's divi-

dend policy. Shares in BP con-

tinued to trade heavily, how-

Also in the spotlight again

By-Terry Byland, UK Stock Market Editor

THE SECOND quarter of 1992 came to a somewhat ragged close on the stock market last night, with both stock index futures and equity prices moving erratically before closing on a confident note. Some comfort was drawn from the market's success in bouncing from the FT-SE 2,500 mark, which sion in New York

was tested in early trading. Trading volume improved, in terms of shares traded through the Seag network, but around 15 per cent of the day's total of 458.5m came from two stocks British Petroleum and British Steel, both driven by the market's dividend worries. The re-shuffling of portfolios

and trading positions ahead of election last April. Renewed everybody was waiting to hear was dividend policy; it is very frustrating." He added that US pressure investors were showing increasing signs of getting cold feet about BP. Another specialon ICI

nothing new in what Mr Ahearne said." the market shortly after the Turnover in BP remained high, with 40m shares traded. start of trading, when there was news of yet another broyesterday, following 110m last Friday and the 45m that kerage downgrade of the group's profits. Smith New Court, the securichanged hands on Monday. Japanese institutions were said ties house, chopped its forecast for the current year and also to be keen sellers, while at for next year. This move least two of the big US investment banks apparently have been aggressive buyers of the shares. Suggestions that a stake builder had been at work

caused the shares to drop to-1198p before stabilising to close a net 15 off at 1206p. Mr Charles Lambert, at Smith, lowered his prediction for this year by 2100m to 2750m and next year's by £150m to £900m. Both forecasts are around the lowest in the market. Mr Lambert attributed the downgrades to three factors. Firstly, that earnings had been

SUBSTANTIAL weakness in

ICI, the chemicals giant, upset

damaged by the anaemic U\$ recovery and continued weakness in the dollar, allied to a poor performance by the UK economy. Secondly, the weakness in the crucial agrochemical business during the second quarter was not simply weather-related but reflected pricecutting in the US. Thirdly, generatic competition to ICT's Tenormin drug had gathered

There were also hints that ICI was about to bid for Fisons, the troubled chemicals group; although not ruled out, such suggestions were deemed premature by marketmakers. Nevertheless, Fisons climbed 12 to

212p on heavy 6.2m turnover. Dealers also pointed to the bearish effects of a large overhang of ICI shares, resulting from Goldman Sachs' purchase of Hanson's 2.62 per cent stake in May. Goldman is believed to still be holding at least 10m ICI shares.

BP rallies

British Petroleum recovered 31 to 2031/ap after company director Mr Steve Ahearne addressed the Society of Investment Analysts (SIA) in Lon-

But while the share price picked up, after the steep decline caused by last week's resignation of Mr Robert Horton as chairman and chief executive, most oil analysts registered disappointment at Mr Ahearne's refusal to discuss dividend policy or the departure of Mr Horton.

An oil sector analyst said: "The seminar was peppered with slides and speeches about corporate strategy, but what

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (22).
SHITISH FUNDS (1) Fo 3 lapt 190-04. OTHER FUNDS (1) Etham 11 lapt 12.
SHITISH FUNDS (1) Etham 11 lapt 12.
SHICKERS & DESTRUCER (2) Young, Do N.Y. SUR, DON MATERIALS (1) Gration, SUSINGES SERVICES (1) Bouston, CONTRACTING & CONSTRUCTION (7) Short, ELECTRICALS (1) MOVING-SWRIN, ELECTROMICS (2) Gration Telectropic, Hostopha, ELECTROMICS (2) Gration Telectropic, Hostopha, ELECTROMICS (2) Gration Telectropic, Hostopha, ELECTROMICS (2) Gration Telectropic, Hostopha, ELECTROMICS (2) Gration Telectropic, Hostopha, ELECTROMICS (2) Gratian Telectropic (1) USF & G. MISHRANCE LIFE (1) Schanner, MEDIA (1) Central ITV.
PORTSONIO & SURPRISE (1) USF & G. MISHRANCE LIFE (1) SCHANNEGUS (2) Danka Susieners, Frost, OR & GAS (1) G. Wegstern Res., WATER (1) South States (1)

POTESTORIN & SUSTEMBERS OF STREET PARK (ITS SOUTH STEET)

ORL & GAS [1] OF Western Fies, WATER
(1) South Steets [1] Waste Mingernt, CARADIANS
(4) Echo Bay Mines, Ind Corona, Rio Algore, Trans Can Piper, Bankes (1) ANZ, BRILDING
MATERIALS (8) Erith, Meyer, Termas, Translam Materials (8) Erith, Meyer, Termas, Translam Letter, Corporate Serva, REA. Proudicot (A), CHENGCALS (2) Angle Unit, Str. Conscious Carra, Carra, Conscious Carra, Carra, Conscious Carra,

*

the end of the quarter was also reflected in several trading programmes. Stock index futures contributed to the gyrations in the underlying stocks, which saw the Footsie drop by 13 points before rallying strongly in the afternoon. Wall Street's gain of 30 Dow points overnight made little impact but London responded favourably at the close to a further gain of 10 points early in the new ses-

The FT-SE Index closed a net 5.4 up at 2,521.2, showing a. gain of around 3.3 per cent over the second quarter. However, the Pootsie is nearly 8 per cent below the peak reached in the weeks following the re-election of the Conservative government at the UK general

ist, who attended the meeting,

said he found it difficult to see

why the shares had bounced

yesterday, adding: There was

were disregarded.

Lourho pleases

results from Lonrho, the inter-

national conglomerate, cheered

the market after the board

reported figures above best

announced a dividend pay-

Interim profits fell to 238m.

from £109m at the same stage

last year, but market predic-

tions were in the range of £25m

to 235m. An interim dividend

of 2p, although reduced from

last year's two interim payouts

of 3p and 5p respectively, also

surprised analysts, several having predicted a dividend

payment of no more than ip.

was British Steel, as the market assessed the outlook for future dividends in the light of the hoard's decision to cut the Analysts were particularly pleased by the company's

breakdown of the interim fig-

ures, both geographical and by

region for the first time. The shares responded by improving 4 to 81p on the figures, but then retreated on profit-taking to end only a penny up at 78p after brisk trade of 5.6m. Mr Rob Davis at US merchant bank Lehman Brothers said: "I think the worst is over. The refinery problems are behind the company and the second half should be a lot better."

Steel activity

Turnover in British Steel jumped to 38m in strong two-way business as the shares experienced a volatile session. They fell 6% in early trade as some dealers continued to reflect on the company's poor. results announced on Monday Ragerly awaited mid-term and the prospect of a dividend cut, a view that took hold after a gloomy analysts' results

Bargain hunters moved in at market expectations and midsession, however, and the upward momentum was further boosted by US buying, which helped the shares rally to and unchanged on balance at 60%p. TSB featured prominently in

the market's heavy programme trade and options market activity, the shares eventually closing 7 higher at 141p with a hefty 5.1m changing hands. Rumours that SmithKline Beecham was about to be

final payment for 1992.

Outside the trading programmes, leading shares time Traders were glad to see showed a mixed pattern. A a calm close to the second hefty fall in ICL prompted by a downgrading from a leading UK securities house, dragged the rest of the equity market down at first. But this was later counter-balanced by good US demand for selected phar-The London meeting between BP and the Society of maceutical stocks, the notable exception being Glazo which investment Analysis proved

trod water yesterday. The underlying tone of cor-porate reporting was encouraged somewhat by the interim statement from Lonrho, which pointed to an improvement in the second half of the year. RTZ extended the gains of the past week on hopes of a further rise in metal prices. At the close, the stock mar-

RE-A All-Share Index

Equity Shares Traded

TETHOVER by volume (million)

660 600 400

1962

included in County NatWest's

prestigious Top 30 list boosted

Scottish Power was given a

strong push by Nomura, the

Japanese broking house, and

the shares ran up 21/2 to 182p

on good turnover of 1.8m.

Nomura's utilities team said

the stock had been left behind

Shares in BM Group contin-

ned to slide, falling 37 to 113p

Man Ed The Year

in trade of 3.1m shares.

STOCIOS.

the shares by 20 to 893p.

266 -

1,220

1,180

MicroFocus shares shrugger off the recent hout of weakness and jumped 83 to 1733p after a

company profit accounts.

NatWort. end at 625p. Kingfisher weakened 8 to

196p following a profits downgrading from County NatWest. Its forecast for the current year has been cut by £13m to £229m and that for 1993/94 by 220m

Ms Kimlan Cook, stores analyst at County, said the down-

average trading of 2.7m shares, as chairman Mr Geoffrey Maitland Smith told the annual meeting that trading has been flat for the first five months of this financial year. Profits downgrades contin-

ued to depress United Biscults. The shares dipped 4 to 352p as County NatWest and Smith New Court followed other securitles houses in cutting estimates of 1992 profits.

in the post-BP upsurge by other electricity and generator Colin Millham.

■ Other market statistics,

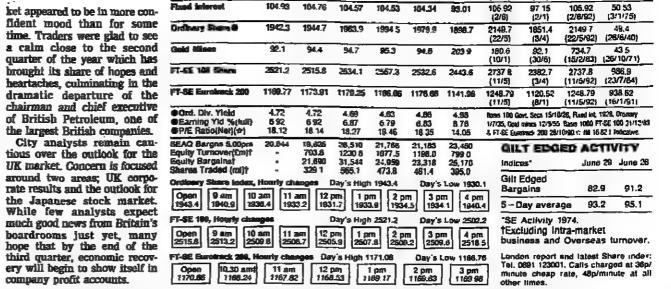
positive meeting with County

The recent improvement in copper prices was appreciated by investors in RTZ, the world's biggest mining company, and led to a demand for stock which caused a squeeze. The shares appreciated 18 to

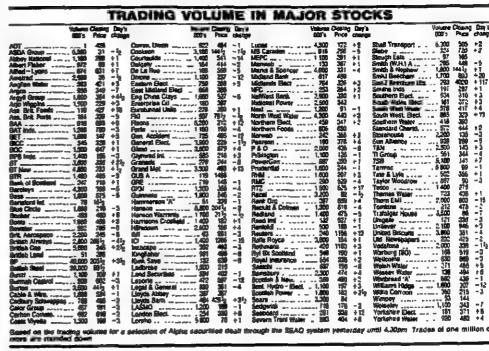
to £250m.

grade mainly reflected concern about a DIY price war involving the company's B&Q subsidiary. Sears was steady at 84p in

MARKET REPORTERS Steve Thompson, Joel Kibazo,



FINANCIAL TIMES STOCK INDICES



EQUITY FUTURES AND OPTIONS TRADING

in a tight range in a volatile session, while traded options saw improved turnover, writes Joel Kibazo.

two-way pull in which a leading independent trader was bidding for the contract while BZW and S.G. Warburg were reported to be the early sellers. The latter two gained the

upper hand, which saw Sep-

to a day's low of 2,531 and leading the underlying cash market down.

September steadied at mid-Having opened strongly at session and light buying saw it 2,545, the September contract advance to the day's high of on the FT-SE experienced a 2.554 before once again drifting lower in the afternoon. The firm Wall Street was said to have had no effect. For most of the session September traded in a narrow range of 2,545 and 2,531, ending at 2,545, down 8 from the previ-

STOCK INDEX futures traded tember go into retreat, falling ous session and around 2 points above its estimated fair value premium to cash of about 25. Turnover was again around 7,000 contracts by the official close.

In traded options, turnover improved to reach 40.267 contracts. The FT-SE option was busy, trading 13,491 lots. BP was the most actively traded stock option with a day's total of 2.834 contracts. This was followed by TSB. in which 2,036 lots were dealt.

FT-ACTUARIES SHARE INDICES

9 The Pinancial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the institute of Actuaries and the Faculty of Actuaries

Ċ	EQUITY GROUPS	Tuesday June 30 1992						Meat Just 29	Fri Jun 26	Jun 25	Year ago (approx
Fig	A SUB-SECTIONS pares to parentheirs show number of stocks per section	index No.	Day's Change	Est. Earnings Yield % (Max.)	Gross Div. Vield% (Act, st. (25%)	Est. P/E Ratio (Net)	nd adi. 1992 to date	intex No.	index No.	Intex No.	Index No.
1	CAPITAL 60085 (178)	819.96	-0.5	7.00	5.45	18.53	16.81	823.97	834.79	840.34	803.7
2	Building Materials (22)	897.50	-1.3	6.22	6.25	21.65	25.24	909 25	932.52		1020.4
3	Contracting, Construction (28)		-0.9	4,04	7.23	56.48	24.60	837.51	846.21		1164.1
4	Electricals (8)	2457.11	# 2 to 1 to 2 to	7.01	5.28	18.52	68.82	2458.56		2537.97	
-5	Electronics (29)	1952.50	-0.5	8,19	4,36	15.39	9.16	1963.52		1992.08	
9	Engineering-Aerospace (6),	336.28	-0.5	10,84	7.35	11.67	11,27	338.03	340.88	347.20	415.2
7	Engineering-General (44)	507.34	-0.7	7.87	4,71	15.78	9,46	511.14	519.12	525.90	437.5
8	Metals and Metal Forming (8)	309.94	arionale .	0.80	7.12	37.00	5.60	310.11	326.90	335.33	431.0 316.1
9	Motors (14)	342.71	-0.2	7,75	0.56	16.98 17.21	10.04	343.47 1773.18	349.29	354.94 1767.89	
TO	Other Industrial Materials (19)	1112.02	+0:2	7,00 7,51	3.54	16.36	34.69 23.94		1776.34 1624.09	1438.31	
21 22	COMSUMER GROUP (189) Brewers and Distillers (24)	2075 44	+0.2	7.99	357	15.09	29.35	2064.80	2081.97	2104 93	1759
2	Food Manufacturing (18)	1253 97	+0.3	8.62	4.20	14.35	23.82	1249.74			
2	Food Develop (19)	2017 65	+0.4	8.31	313	15.75	44.70	2904.57		2890.89	2603
77	UsaRh and Usurabahi (24)	3777 06	40.9	731	2.81	15.59	37.81	3737.60	3787.65	3860.43	3522
20	Food Recalling (18) Health and Household (24) Hotels and Leisure (20)	1263 99	-1.0	6.31	5.35	20.65	23.55	1276.26		1303.97	
Ю	Media (25)	1452.17	+0.4	6.23	3.38	19.87	25.88	1546.60		1555.44	
<u> </u>	Packaging, Paper & Printing (17)	773.63	-0.1	6.66	4.27	18.21	14.67	774.35	792.71	801.57	682.7
34	Stores (33)	1050.99	-0.8	7.19	3.52	18.34	16.22	1059.22		1000.03	872.9
35	Testiles (10)	684.68	-0.7	5.76	4.54	18.73	14.72	689.74	690.95	697.25	525.9
40	Textiles (10)	1257.63	Ésecuto	9,94	5.23	12.56	22 32	1258.24	1263.85	1286.25	12013
as l	Quelner Comires (17)	1403 17	40.2	6.35	3.68	19.22	20.78		1407.48	1419.28	
52	Chemicals (22)	1444.29	ĭ.0	7.32	5.03	36.75	32.18	1459.24		1466.26	
13	Conglomerates (L1)	1237,94	-1.0	10.43	7.67	11.97	23.62	1250.77		1291.47	
44	Transport (14)	2522.74	-0,6	8.21	4.65	14.92	51,61	2538.59			
45	Electricity (16)	1348.32	40.9	14.08	5.24	8.99	17.21	1336,77	1332.88		
46	Chemicals (22) Conglomerates (11) Transport (14) Electricity (16) Telephone Networks(4) Water(10)	13/2.U9	+0.4	11.35 15.56	4.81 6.07	7.12	21.77	1366.30 2832.52		2788.13	
4/	Miscellaneous (22)	2027.82	-01	5.62	4.90	23.82	24.35			2026.90	
	INDUSTRIAL GROUP (483)	1305.33	4,4	8.18	4.43	15 23	21.88		1313.84		
									_		
<u> 511</u>	Oil & Gas (17)		+0.8	7.77	7.28	16.92		1937.82		2029.93	
59		1368.56	+0.1	8.14	4.71	15.38	25,11	1367.30	_	1,389.65	$\overline{}$
61	FINANCIAL GROUP (86)	737.68	-0.1		6.15	-	20.03	738,41	742.78	747.12	767.3
62	Ranks (9)	.952.77	+0.4	5.06	5.73	31.28	24.58	948,78	947.98	954 25	857.5
55	Insurance (Life) (6)	1502.60	-0.5	-	5.93	-	44.26	1509.88		1524.83	
561	insurance (Composite) (/)	1 201./2	-1.2	0.00	83,0	13.86	13.46	526,26 825,70	541.20	544.60	656.2
67	Insurance (Brokers) (10)	816.80	-1.1 -0.3	9.49	7.95 4.52	13.50	29.69 11.25	479,18	832.19 475.36	476 18	1127.4 416.1
50	Merchant Banks (7)	638.38	-0.2	9.19	7.18	14.72	19.27	639.61	640.02	643.08	884.3
59	Property (32)	247.44	70,2	7.17	7.08	18.46	6.63	247.45	349.03	249.85	
_	Other Financial (15)	675.77	0.3	_		10.70					_
71	Investment Trasts (69)	1143.61	+0.1		3.93		18.86	1142.55		1153,49	
99	ALL-SHAPE INDEX (655)	1216.62	+0.1		4,86		23.55	1215.77	1224.17	1234.78	11792
		lades	Day's	Day's	Day's	Jun	Jge	Jm	Jan	Jan	Year
		Ho.	Chapte	High (a)	Low (b)	29	26	25	24	23	340

FIXED INTEREST							AVERAGE GROSS TUR REDEMPTION YIELDS Jun				Mon Jun	Year ago
PRIC		Tree Juni 30	Day's change %		Accrued Interest	xd adj. 1992 to date		British Several Low Cospons (0%-73-%)	5 years	8.19 8.89 8.89	8.19 8.89 8.89	9.12 30.08 10.08
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4.0pening index 2515.8; 9 am 2513.2; 10 am 2509.8; 11 am 2506.7; Noon 2505.9; 1 pm 2507.8; 2 pm 2509.2; 2.30 pm 2508.9; 3 pm 2509.8; 4.10 pm 2518.3; (a) 4.30 pm (b) 10.18 am r Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituent is a swilable from the Publishers, The Funancial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUAREES SHARE (MOTICES SERVICE covers a range of electronic and pager-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel. 071-925 2323. © CORRECTED FIGURES FOR 2916/92.

LONDON SHARE SERVICE BRITISH FUNDS Prices for electricity deleterance for the pulpotes of the electricity populary and systematical entanguments in England and Water LEGAL NOTICES

Nector of Appointment of Joint Administrative Recolvers We, J M Include and N J Vengte of Carle Celly, therman House, I Occury Street, Unbridge Middlesens USS 1QQ, were supposited Joint Receivers of NVS ELECTRICAL DISTRIBUTIONS LISTITED, explained June 1997.8, by Midwell Read; places of NVS 1997.25, by Midwell Read; Joint Administrative Receiver THE INSOLVENCY ACT 1885 TASTE APPEAL PRODOS) LIMITED Company No: 2051125 (Permanty: The Fresh Revolution Limited) Trading as: Taste Appeal Foods Nature of Business Wholesale Distillations of Fresh and Fresh Revolution 12 MOTICE IS HEPIEN GIVEN, pursuant to \$45 (I) of the said Act, the on 19th Anne, 1982, lacqueine B Stephenson and Peter S Dust of Lahran Constay & Duste, 45 Conduit Street, London Will Serb, were appointed John Administrative Recovers of the above Company by Berchys Strik ptt. Jacqueine B, Stephenson, Jone Administrative Recovers of the above Company by Berchys Strik ptt. Jacqueine B, Stephenson, Jone Administrative Recovers. Otto Holder Number 7345. Dated its 19th day of June 1992 COMPANY NOTICES S.G.WARBURG CAPITAL B.V. U.S.\$200,000,000 Dallect Irls 15th chay of June 1952 THE RESOLVENCY ACT 1955 SA STATIONERY LIMITED AN STATIONERY LIMITED HOTICE IS RETERY CAPEN persons to Section 95 of the landwarey Act 1958 had a section of Condition with the field of the Condition Station Persol. County, News, Sucreas on Wednesday, this had 1952 at 62.5 on her for his purposes respirated on Section 99 and 190 at the sent Act. Condition shifting to your all the working reach lodge a passey, regarder with a majorism of the role of the self-cold of Partieses. Pleach, Station Person, 1972 had proceed to the sent of the sent of the sent of Partieses of the company's condition. Section 1972 at the sent of Partieses of the company's condition of Partieses (Partieses of the company's condition of Partieses, The Condition, Station April 1, Condition of Partieses (Partieses of the company's condition of Partieses). The Condition Station April 1972 of Internet the Adv and Landsday 7th Adv 1972. The condition of the condition of the Partieses of the condition of the Station of Technical Station 1975. Adv 1972. The condition of the Condition of Technical Station 1975. Adv 1972. The condition of the condition of the Station 1975. Floating Rate Notes 2006 idenced that copies of the Auroral Report and Accounts of the issuer and the guarantor, S.G. Warbung Group plc, for the funancial year ended Mat March, 1992 are available from the Company Secretary, S.G. Warburg Group plc, 1 Findbury Avenue, London ESQM 2PA **PERSONAL** IN THE MATTER OF COST OF THE SAVENCE AND THE SAVENCE AND THE SAVENCE OF THE SAVEN

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an interest rate of 5 1/2% per annum. The interest payable on the relevant interest payment date 31 July 1992 against coupon no 92 will be US\$45.21 per US\$10,000 Note. CHEROCAL BANK

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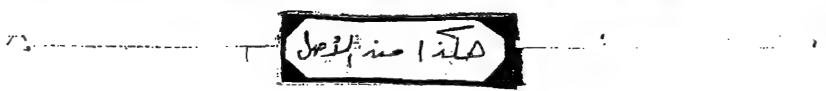
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Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

US news leaves dollar shaky

THE latest batch of US economic indicators did little to help an already shaky dollar yesterday and it failed to recover significant strength against the D-Mark or pound, writes Peter John.

The US currency had rallied in early dealings as profittaking put pressure on a strong D-Mark. However, it was a short-term correction, and when consumer confidence data and US regional buying order figures were released traders found no encouraging signs and sold the dollar down. The forthcoming G-7 meeting in Munich was also prompting dollar nervousness.

Dealers were particularly worried that consumers' perceptions of the next six months were less optimistic than they had been for some time. They also focused on the purchasing managers' index for Chicago in June, the first June figure to be released in the US and which came in below most estimates. After the effect of the

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figures had faded the dollar recovered and closed up on the day at DM1.523. against DM1.517 on Monday. But traders said it slipped again in late dealings in spite of holding firm against the yen and Cana-dian dollar. In New York the US unit finished at DM1.5227 last night. Mr Mark Slater of Merrill

Lynch said: "There were no supportive numbers and the market has been looking for a bounce in the dollar rather than the reversal of a down-

Sterling, which had suffered from Mrs Thatcher's recent comments over European unity, rallied against the D-Mark but failed to reflect any growing confidence in the UK currency. It eased to \$1.904 from Monday's \$1.907 close and struggled to hold around DM2.900 after rising from DM2 893. It continued to flourder at the bottom of the EMS band, some 6.02 percentage points below the top-placed

Portuguese escudo. However, there was no intervention by Portugal to sell the escudo and narrow the range, as it had done on Monday. Although the stated maximum differential is no more than 6 percentage points, in practice it is 6.18. Moscow confirmed that the

rouble would become a convertible currency from today, although wrangles continued yesterday over whether the Russian currency rate would be established completely by the market, or some element of fixed rate would remain.

The rate was set at 125.26 roubles to the dollar, compared with a prospective rate of Rbs85 last week.

In Beigrade, Yugoslavia announced an 85 per cent devaluation of the dinar and redenominated the currency in a package of moves designed to save the war-ravaged economy. In Warsaw, the National Bank of Poland said it would introduce new banknotes and knock four zeros off the zloty.

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FINANCIAL FUTURES AND OPTIONS

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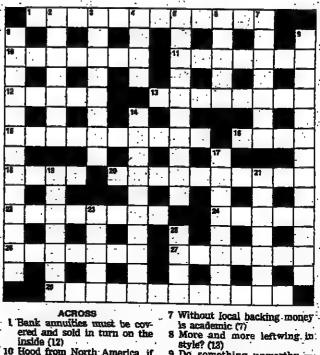
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Setting The Trend for Others To follow

to battle (?)

12 Understand note on file (5)

13 What goes in liberty hall? (8)

15 At risk out of garden (Eden)

(10) 16, 18 Glittering fabric was the

death of a lawyer (4.4) others (7)

20 Harold of Rievaulx, the new 23, 25 Origin of Cinephile's "purworld's lion (4.5) ale for primates" (5.4)

22 Truth gets a parson back to town (8) 24 Awards of money (5) 26 Confederate team is sheltered

(3.4)
27 Reside in part of subcontinent, commendably (7)
28 Top needing supports would be better — all set? (7.5)

DOWN!

2 Casual worker not working? 3, 4 Floated company to supply craft for battle? (8.4) 5 Faint slur heard getting fainter? (10)
6 Card needing acknowledgment? Nonsense! (5)

7 Without local backing money is academic (7)
8 More and more leftwing in: ered and sold in turn on the inside (12)

10 Hood from North America, if coat returned (7)

11 Horse, Napoleon's first, to go to battle (7)

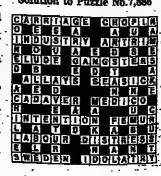
12 Understand note on file (5)

13 What was in likewise health (8) newspapers etc (3.5)

19 Port in the west of France —
or the east? (7)

21 Fantastic county cut short by

Solution to Puzzle No.7,886



MONEY MARKETS

Short future gains

SHORT sterling futures were slightly firmer yesterday following the battering they received on the previous day. Meanwhile, the pressure on period rates eased.

The September futures contract opened two basis points higher at 90.09 as dealers decided that Monday's harsh mark-down was overdone.

It traded within a five-point range to show some strength towards the close and was finally 3 ticks up at 90.12 with just over 16,000 lots traded. The December contract moved within a three-point range to close two points better at 90.36 with more than 6,700 contracts

UX clearing bank base leading rate 10 per cent trom May 5, 1992

In the sterling cash market, some of the pressure that had been imposed on period rates by technical factors resulting from the end of the first half of the year disappeared and the key three-month interbank rate ended at 10% per cent.

down is from Monday's level. The Bank of England was unable to meet more than half of the day's forecast liquidity shortage until the close. and £15m in band 4 bank bills
During the day's trading, rates at 9½ per cent.

 Z_{-1}

cent before the Bank was prepared to take out the shortage. The Bank provided three tranches of assistance of £50m, £171m and £218m, making a total of £439m. The remainder was covered by late assistance of £555m.

An initial shortage forecast of £950m was reflected largely by the take-up of Treasury Bills and maturing assistance, which was expected to drain £1.071bn from the system. As most banks had balanced

their books for the first half, they were unwilling to sell their bills and the Bank of England initially provided very little assistance - £48m of band 3 bank bills at 94 and £2m of bank bills in band 4 at 9∰ per cent.

In the second round, the shortage was revised up to £1bn and the Bank bought £142m of band I bank bills at 9% per cent, £28m of band 3 bank bills at 92 per cent and £1m of band 4 bank bills at 94 per cent.

By the afternoon, the shortage was adjusted back down to £950m and assistance of £218m consisted of £158m of band 1 bank bills at 9% per cent, £10m of band 2 bank bills, also at 9% per cent, £35m of band 3 bank bills at 9% per cent

MONEY RATES **NEW YORK** Treasury Bills and Bonds 3.65 3.65 3.77 4.06 4.80 뇆 (see Nonth Temp Manuts Sai Montis 9 65 9.75 10 104 82 94 9 43 9.50 946.975 965975 IV-1015 9.75 960

FY LONDON INTERBANK FIXING

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(11 00 a.m. June 30) 3 months US follows

eted rolume 21324 (12670) es day's open i.e., 275466

Estimated volume 772 66139 Previous day's open set, 9460 (9293)

91.65 91.67 91.87 92.17

Estumented volume 71.77; (4064) Provinces (any's open and, 441.28 (43.756)

Estimated volume 726 (456) Previous day's open int. 15670 (15947)

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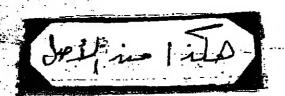
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LONDON MONEY RATES 104 10 913 1014 1013 1015 1012 104 10 A 10 A 9 A 9 A 弱 3 70 50 10 10 3 86 6 4 10 12 10 12

Treasury Bills (sell), one-month 9% per cest, three months 9% per cent, six months 9% per cent; Bank Bills (sell), one-month 9% per cent; three months 9% per cent. Treasury Bills, Average tender rate of discount 9.46.19 a.c. ECED Fixed Rate Sterling Export Finance Make up day June 30, 1992 Agreed rates for period July 25, 1992 be June 15, 1992 Scheme 1 II.26 p.c. Schemes 11 & 10.11 25 p.c. Reference rate for period May 30, 1992 to June 30, 1992 Scheme 10.47 p.c. Schemes 11 Kill 11 25 p.c. Reference rate for period May 30, 1992 to June 30, 1992 Scheme 10.47 p.c. Schemes 11 Kill 11 25 p.c. Bank 1992 to June 30, 1992 Scheme 10.47 p.c. Schemes 11 Kill 11 25 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 11 25 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 12 p.c. Schemes 11 Kill 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 13 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 12 p.c. Schemes 13 p.c. Schemes 12 p.c. Schemes 13 p.c. Schemes 12 p.c.

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FINANCIAL TIMES WE	DNESDAY JULY 1 1992	WORLD STO	Φ Φ 41 CK MARKETS
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Table 15 Parr 2,300 -00	Section Sect	Technic Emidicant 938 1-1 1 1 1 1 1 1 1 1	TOKYO - Most Active Stocks Tuesday 20 June 1992 Tuesday 20 Jun

4:00 pm prices June 30 | The content of the

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In fact the Tokyo edition of the Financial Times is in the hands of its readers some seven hours ahead of Europe. Wherever your business takes you, rely on the FT to be part of your business briefing. It's in hotels and on newsstands all over the world. Any problems call the FT Copyline on 49 69 15685150.

IN **SYDNEY** AND **SEOUL**

Dow sticks in narrow range before jobs data

Wall Street

US STOCK prices failed to add to Monday's sharp improvement yesterday, the market ending virtually unchanged amid investor pervousness awaiting tomorrow's important employment figures. writes Patrick Harverson in New York. The Dow Jones Industrial

Average was off 1.34 at 3.318.52 at the close, while the Standard & Poor's 500 eased 0.78 to 408,16, but the Amex composite managed to put on 2.18 to 379.28 and the Nasdaq composite 4.81 to 563.61. Turnover on the New York SE amounted to

The market largely ignored the day's economic news, which contained no surprises. The Chicago Purchasing Management Association reported a modest rise in business activity in its region, the Confer-ence Board revealed a slight decline in its consumer confidence index for June, and the Commerce Department said its index of leading economic indicators was up 0.6 per cent

These figures were unimportant alongside tomorrow's

the Federal Reserve to cut interest rates. The Fed's policymaking Open Market Committee was meeting yesterday to assess policy, and analysts said any easing of monetary conditions was unlikely until after

the jobs report was released. Among individual stocks, Digital Equipment declined \$% to \$34% after stating that it had cut prices on its lowest end personal computers (PCs) to match recent price reductions by its competitors. The company also said it is considering extending the price cuts

to more expensive models.

Compaq, which lowered prices of its PCs in early June, dipped \$½ to \$24%. IBM was down \$% at \$97% and Hew-lett-Packard off \$1% at \$68%. Boeing appreciated \$16 to \$39% in turnover of 1.3m shares after analysts sounded positive noises on the aircraft maker's chances of winning a

United Airlines Amsouth Bancorp receded \$1 to \$28% on the conclusion of its agreement to buy First Chattanooga Financial for \$100m in cash and stock. First Chattanooga, traded on the

\$2.4bn jetliner order from

Also on the Nasdaq, Software Publishing plummeted \$4 to \$8% in heavy trade on warning that it would only break even, or possibly report a loss, for the upcoming fiscal third quarter.

Calgene weakened \$1 % to \$111/2 after the US Patent and Trademark Office agreed to rule on a tomato gene patent claimed by ICI Seeds.

Canada

TORONTO finished higher after heavy trading, paced by an advance among mining issues. The TSE 300 index gained 11.9 at 3,387.7, while rises outscored declines by 362 to 239. Volume expanded to 32.5m shares from 20.3m. Moore Corp dropped C32 to

C\$20%. The company said the previous day that, due to weak sales in April and May, it expects its second-quarter earnings to be substantially below expectations and below last year's second-quarter net. told analysts that Moore's 1992 net income will likely not exceed the US\$88.1m profit

Move from cyclical to defensive stocks

cent drop in Hoogovens in Amsterdam, steels dropped across the board in Frankfurt yesterday in what was perceived as a move out of cyclicals, and into defensive stocks, writes Our Markets Staff.

FRANKFURT reported institutional selling of carmakers and engineers as well as steels Turnover rose from DM4.7bn to DM5.7bn as gains in banks, and two of the three big utility stocks gave the market some

stability in aggregate.
After a 3.24 fall to 693.61 in the FAZ index at midsession, the DAX closed 4.49 lower at 1,752.63. Dealers said that cyclicals had had a good run: Volkswagen dropped DM7 to DM376.50 and Degussa, its chemicals and metals refining activities regarded as a cyclical play, by DM12.50 to DM345.

Thyssen led steels down with a fall of DM7.70 to DM229.70. Mr Glen Liddy of Kleinwort Benson, who put out a sell recommendation on the stock last week, said that Thyssen had outperformed a relatively strong market by almost 5 per cent since the beginning of 1992, pushing the immediately prospective p/e up to 17 compared with a five-year average

ASIA PACIFIC

BRISK buying by investment trusts lifted share prices yes-

terday, but the Nikkei average

failed to regain the psychologi-

cally important 16,000 level in

related selling, writes Emiko

Terazono in Tokyo. The Nikkel closed 210.46 up at 15,951.73. After opening at

the day's low of 15,785.13, the

225-issue index rose to the ses-

sion's high of 16,060.92 in the

early afternoon on small-lot

bargain hunting and index-linked buying. However, arbi-

trage unwinding pushed it

lower towards the end of the

Volume rose from 155m shares to 210m. Advances led

declines by 521 to 391, with 168

issues unchanged, and the Topix index of all first section

stocks gained 11.09 at 1.236.20.

In London the ISE/Nikkei 50

ment that the Nikkel failed to

remain above the 16,000 mark on the last day of June, the

book closing day for some

investment trust funds at trust

banks. Mr Masami Okuma at

UBS Phillips & Drew said buy-

ing to manipulate share prices

was especially active towards

the end of the session. Other

buyers included investment

trust funds which had been set

index, construction and proper-

ty-related issues were weak.

Worries over the financial

soundness of construction com-

panies were triggered by a report from a leading foreign

brokerage, focusing on loan

guarantees of construction

companies, which circulated in

guarantees means an increase

JOHANNESBURG closed higher, but off the day's highs,

following the central bank's

cut in the discount rate. The

overall index rose 13 to 3,655

while the industrial index also

added 13 to 4,520. The gold

was up 12 at 1,097.

SOUTH AFRICA

The rise in outstanding loan

In spite of the rise in the

up last week.

the market.

index eased 0.44 to 977.51.

day's trading.

the face of continued arbitrage

Tokyo

FT-SE Eurotrack 100 - Jun 30

Hourty changes Open 10.301 11 am 12 pm 1 pm 2 pm 3 pm close 1141.62 1139.35 1138.08 1139.28 1139.49 1139.83 1140.31 1139.30 Day's Low 1137.84 -Day's High 1141.65

Jun 23 1148.49 Jun 26 1145.05 Jun 29 1141.48

of 10.3. He worried, too, that overcapacity in western Europe will be exacerbated by the ability of former eastern bloc countries to bring product into the west at less than economic prices.

Among defensive stocks banks and utilities mostly showed gentle increases, although among the latter Viag fell another DM2.70 to DM390, its basic attractions obscured by a turndown at its Schmalbach-Lubeca packaging subsid-iary, whose shares fell another DM10 to DM464.

In retailing, Asko, a byword for high balance sheet gearing, was suspended at Monday's DM745 as it brought its annual news conference forward to tomorrow. A spokesman said that the supervisory board would decide today on the need for additional risk provisions.

gloomy trading as dealers despaired of the total lack of interest from domestic investors. Foreigners, worried by currency devaluation fears, continued to sell. The Comit index fell 6.4 or 1.4 per cent to 454.16 in turnover estimated at between L80bn-L100bn after L71.2bn on Monday.

Dealers feared that if the current malaise continued, the index could fall as low as 420. last seen in early February 1988. June mutual fund data; due out in the next few days, are expected to be poor, they

Among leading blue chips, Generali lost L500 to L27,700 while Fiat dropped L156 to L5,288. Olivetti remained weak, losing L53 to L3,136. Italgas, which had been weak recently as investors switched into Snam, fell L127 to L2,783 on supplies of natural gas.

PARIS, quiet for most of the day, was buffetted in the final hour by the expiry of options and futures. The CAC 40 index, which went as high as 1,915.59 and as low as 1,883.12, closed 6.67 lower at 1,900.63. Volume, which had reached only FFribn by 3 pm, jumped to FFran by the close on option and futures related activity.

Alcatel Alsthom was one of the most active stocks, losing FFr4 to FFr649 while Elf added FFr4.90 to FFr377.30. Among smaller stocks, L'Oréal fell FFr17 to FFr910 while Valeo, which has seen several putthroughs of stock recently, lost FFr6 to FFr780.

MADRID's general index closed a mere 0.81 lower at 238.31, but that was enough to take it to a new 1992 low. Meanwhile there were serious osses in the construction sector where Cubiertas dropped Pta520, or 6.3 per cent to Pta7,780 and Valderrivas by Pta760, or 9.1 per cent to

Spain's budget deficit was now looking extremely serious. said Mr Miguel Olabarri at made for a very poor outlook for the construction industry, with the government as its biggest customer.

ZURICH was led higher by chemicals, Ciba-Geigy bearers rising SFr40 to SFr3,320 as the SMI index rose 8.2 to 1.854.8 but the market also had to absorb Swissair's news of an "unsatisfactory" start to 1992. The airline's shares fell another SFr28 to a new 1992 low of SFr635.

AMSTERDAM ended barely changed, though a steady dollar helped most internationals to close with small gains. The CBS Tendency Index fell 0.1 to

KLM lost 70 cents to Fl 35.70 after the airline said it had made an unspecified first quarter profit, but that earnings were lower than hoped. The steel and aluminium maker, Hoogovens, fell another FI 1.00 to Fl 49.30 following last Friday's news that it planned to reduce its 1992 investment pro-

ISTANBUL's index rose for the seventh consecutive day, piercing the 4,400 level for its best close in nearly five months. The index added 42.19 to 4,407.23, after an intraday

Political victory brings Greek equities to life

Kerin Hope on the latest developments in Athens

t took a political victory to bring life into the Athens stock market this week, after Greek investors had ignored normally encouraging signals such as a fall in inflation and impressive 1991 earn-

ings from listed companies. The Athens general index surged 7.9 per cent on Monday to 376 in response to unexpected European Community backing for Greece on the sensitive issue of recognition for Macedonia. At the Lisbon summit, Prime Minister Constan-tine Mitsotakis finally persuaded other Community leaders that the former Yugoslav republic should change its name, in order to avoid implying a territorial claim on part of northern Greece.

The Macedonian dispute, together with the spectre of a wider Balkan conflict, had been blamed for a steady decline in share prices this spring. On May 29, the index reached an 18-month low at 776, before recovering to hover around the 800 mark. Turnover also shrank, averaging only about Dr1bn (\$5.26m) daily.

Mr Alexander Moraitakis, managing director of Nuntius Securities, says: "The market was reacting to every political twist and turn, not to economic developments. As a result, we now have some of the lowest price/earnings ratios to be

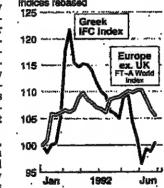
found anywhere."
Improved productivity, assisted by wage restraints, has spurred a healthy increase in profits for many listed companies, particularly in the banking, construction and food and beverages sectors. While continuing recession is expected to keep domestic demand low, a much increased flow of tourists is boosting the outlook for food-processing and service-

Although only the most opti-

NATIONAL AND REGIONAL MARKETS

predict that the Greek economy may be on the road to recovery, inflation has at last started to drop. It is expected to stabilise at around 15 per cent over the summer, the lowest for more than two years.

Yet with tax-free government paper still being offered at interest rates of up to 21 per



cent, brokers are uncertain about the market's prospects for a sustained improvement. A rally early this year, which brought the index to a 1992 high of 1,009 in February, quickly fizzled out as individ-

ual investors pulled out.
Ms Mariella Porfyratos, an analyst with Midland-Pantelakis Securities, says: "What the market needs is steady growth over the next few months, which will attract institutional investors from abroad, not another short, sharp rally." Yesterday the index fell 1.9 per cent to 842.8. However, Stock Exchange officials are hopeful that a catalyst for improvement is at hand, in the form of screenbased trading, due to be introduced over the next few weeks.

Banks of computers now fill half of the trading space inside the Stock Exchange building. They will operate at first alongside the floor, so that bromistic forecaster is willing to

kers can make a gradual switch from old-fashioned open outcry to the new system.

The \$3.8m system is being set up by Femcon Associates, a US company, which computer-ised the San Francisco stock exchange and the New York commodities exchange. It is being paid for mainly through

EC funding.
The initial stage will be computerised trading of bank shares, which account for about 50 per cent of total market capitalisation. By the end of the year, the remaining 150 listings will be included in the system and brokers should start moving away from the floor to trade from their

According to Mr Nikitas Niarchos, the bourse president, daily volume is likely to qua-druple once automated trading is fully under way. "I do not anticipate that it will take more than a few weeks for the brokers to get accustomed to the new system and start trading at much higher volumes. But it will be a while before we start introducing new products," he says.

For investors, a large part of the new system's attraction will be the increase in transparency. Confusion and delays over execution of orders has contributed to individual investors' reluctance to return to the market after its volatile performance over the past two years, according to exchange

Mr Costas Galanis, technical adviser to the bourse, says, however, that if the new system is to operate efficiently, computerisation must be extended to include settlement and depositary arrangements.

"The next priority for automation is the settlement system. Then we can start thinking about introducing options and

futures," he adds.

Gross Dr: Yield

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

The World Index (2230)... 138.52 +0.0 107.67 110.20 109.73 121.53 +0.2 2.85 138.56 107.72 109.66 109.25 121.27 163.70 130.66 138.29

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131.75 186.33 142.88 140.19 81.90 63.45 98.12 99.22 129.77 162.45 103.91 105.45 137.63 154.88 99.66 101.62 105.73 118.64 109.31 120.96 128.39 147.46

113.99 116.45 135.07 138.00 113.05 115.49 98.22 100.33 189.90 194.02 61.05 62.37 127.95 130.71 98.48 100.63 201.19 205.54 124.07 126.75 53.92 55.09 74.94 76.56 188.38 190.41 1080.37 1103.74 126.60 129.54 35.89 36.66 135.10 138.02 173.16 176.90 172.30 176.02 118.24 120 81 150.89 154.16 86.61 88.49 149.66 152.38 129.52 132.32

122.61 143.26 82.26 98.55 130.32 104.36 138.24 100.09 106.18 109.79 128.95

-0.4 120.01 -0.5 140.22 +0.6 80.51 +0.1 96.47 -0.1 127.55 -0.7 102.13 +0.3 135.29 +0.1 97.97 +0.0 103.33 +0.0 107.46 -0.2 126.20

real estate analyst at a US brokerage. Sato Kogyo, whose outstanding loan guarantees have risen by 65.8 per cent from the previous year to Y120.9bn, fell Y81 to Y710. Penta-Ocean Construction lost Y44 to Y795.

High-technology blue chips, which were previously sold off, firmed on bargain hunting. Toshiba, the most active issue of the day, improved Y6 to Y647 and NEC Y21 to Y824. Banks, which have been

heavy losers, gained ground, with Industrial Bank of Japan putting on Y80 to Y1,530 and Fuji Bank Y60 to Y1,290. Nippon Telegraph and Telephone advanced Y10,000 to

Y591,000. The government's decision to allow foreign own-ership of the shares from August 1 encouraged buying. Isetan, the leading department store, fell Y230 to Y1,600

on rumours of financial problems at its leading shareholder, well known for its share and land speculation activities.
In Osaka, the OSE average recovered 93.60 to 18,689.02 in volume of 13.5m shares.

Nikkei fails to regain 16,000 as books close

Roundup

YESTERDAY'S trend in the region was neutral to better. and trade was mostly quiet. Manila was closed for a public holiday marking the inauguration of Mr Fidel Ramos as president of the Philippines.

HONG KONG advanced, as a wave of afternoon buying overcame midsession declines. The Hang Seng index rose 46.02 to 6,103.92 as turnover slipped from HK\$3.76bn to HK\$3.46bn, its lowest for a week.

Analysts argued over reasome blaming longstanding

talk of a Hutchison Whampoa rights issue, and others linking it to the settlement of old futures positions, followed by the setting up of new ones. Banks turned in the day's best gains, followed by prop-

erty counters. Utilities and the commerce and industrial sector lagged well behind. TAIWAN reversed a run of six consecutive declines, the weighted index rallying 56.31

to 4,523.81 ahead of today's bank holiday, in turnover of T\$18.4bn, down from T\$21.1bn. A technical rebound in financials, after sharp falls last week, led other sectors higher; China Development saw heavy trading and appreciated T\$7 to T\$109. Brokers also said that the market was boosted in late trading when some legislators again proposed

changing the stock transaction

tax in parliament yesterday.

AUSTRALIA ended its financial year quietly firm, with the All Ordinaries index just 2.4 higher at 1.644.7 in moderate turnover of A\$245m.

Domestic issues saw little interest as dealers squared their books, but News Corp jumped 78 cents to A\$21.08 on strong US buying and the gold index climbed 14.9 to 1,145.8. ANZ McCaughan Securities

saw hope for domestic demand, saying that the introduction of compulsory pension savings in Australia from today will boost share market activity.

NEW ZEALAND was subdued awaiting tomorrow's budget, the NZSE-40 index finishing just 0.66 up at 1,520.65.

DHAKA's all-share index rose 7.39 to 386.98 in anticipation of the government's decision to waive capital gains tax from today.

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All of these securities have been sold. This announcement appears as a matter of record only. New Issue/June 1992

12,100,000 Shares



Common Stock

2,420,000 Shares International Offering

J.P. Morgan Securities Ltd.

Credit Suisse First Boston Limited

Salomon Brothers International Limited Carnegie Fondkomission AB Dresdner Bank Robert Fleming & Co. Ltd Paribas Capital Markets Group S. C. Warburg Securities Swiss Bank Corporation

9,680,000 Shares United States Offering

J.P. Morgan Securities Inc.

The First Boston Corporation

Salomon Brothers Inc Donaldson, Lufkin & Jenrette A.C. Edwards & Sons, Inc. Bear, Stearns & Co. Inc. Lehman Brothers Merrill Lynch & Co. Morgan Stanley & Co. Oppenheimer & Co., Inc. Smith Barney, Harris Upham & Co. UBS Securities Inc. PaineWebber Incorporated Arnhold and S. Bleichroeder, Inc. Dominick & Dominick Advest, Inc. Howard, Weil, Labouisse, Friedrichs Interstate/Johnson Lane First Manhattan Co. The Robinson-Humphrey Company, Inc. Janney Montgomery Scott Inc. Stephens Inc. Sofel Nicolaus & Company Scott & Stringfellow Investment Corp.

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146.31	113.75	175.79	115.35	130.20
174.62	135.76	138.20	137.88	137.81
145.44	113.07	115.10	114.87	112.09
126.13	98.06	99.81	99.44	109.05
246.39	191.56	195.00	194.28	195.37
78.91	61.35	62.46	62.22	68.55
165.63	128.77	131.07	130.58	132.51
127.60	99.20	100.99	100.60	100.60
256.03	199.05	202.62	201.87	254.12
160.26	124.60	126.63	126.35	128.63
160.26	124.60	126.63	126.35	128.63
126.37	135.57	155.50	60.32	
240.98	187.35	190.70	189.99	232.53
1386.82	1078.18	1097.54	1093.40	4734.57
163.22	126.69	129.17	128.69	127.35
46.06	35.81	36.45	36.31	44.91
173.20	134.65	137.07	136.56	139.70
221.93	172.54	175.64	174.97	155.48
152.94	151.05	153.77	153.19	157.76
194.29	151.05	153.77	153.19	157.76
194.29	151.05	153.77	153.19	157.76
194.29	151.05	153.77	153.19	157.76
194.29	151.05	153.77	153.19	157.76
194.29	151.05	153.77	153.19	157.76
194.27	120.33	122.49	122.03	121.81

122.03 121.81 142.68 140.30 81.05 82.61 97.60 98.77 129.34 182.85 104.15 105.72 136.53 154.38 99.15 101.18 105.26 118.38 108.82 120.71 128.09 147.58

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